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World economic situation and prospects as of mid-2014**

Summary

As projected in *World Economic Situation and Prospects 2014*, the world economy is expected to strengthen in 2014-2015, although the most recent updated global growth trajectory is slightly lower than previously forecast. Recovery in the developed economies will continue, but the growth prospects for the developing economies and the economies in transition have been revised downward, largely because of worsened economic and/or political conditions in a number of countries in the latter two groups.

The present report identifies a number of risks and uncertainties for the world economy, including international spillovers from the future unwinding of monetary easing by major developed economies; vulnerabilities of emerging economies on both the external and domestic front; remaining fragilities in the euro area; unsustainable public finance in the longer term for many developed countries; and risks associated with geopolitical tensions.

After assessing policy challenges facing different groups of economies in the monetary and fiscal areas, the most recent developments in trade policies and policies aimed at strengthening employment growth, the present report calls for the strengthening of international policy coordination to support a robust recovery of output and jobs, cooperation in regard to international financial reforms and the provision of sufficient development financing resources to the least developed countries.

* E/2014/1/Rev.1, annex II.

** The present document updates *World Economic Situation and Prospects 2014* (United Nations publication, Sales No. E.14.II.C.2), released in January 2014.

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Global macroeconomic trends

Global growth prospects

1. The world economy is expected to accelerate in 2014 and 2015, with updated growth rates of, respectively, 2.8 per cent and 3.2 per cent (see table), which are slightly lower than the forecast made in *World Economic Situation and Prospects 2014*,[1] released in January 2014.

2. A downward revision has been made mainly in the growth projections for developing economies and the economies in transition, as the situation in a number of countries in these two groups has somewhat deteriorated. With projected growth rates of 4.7 per cent and 5.1 per cent for 2014 and 2015, respectively, developing countries as a whole will continue to contribute a large proportion of global growth. However, this growth trajectory is lower by two percentage points than that registered by the developing countries for a number of years prior to the global financial crisis. The downward revision in growth for the economies in transition is even more pronounced. As demonstrated in the two recent episodes of financial turbulence in mid-2013 and early 2014, a number of developing countries are vulnerable not only to the international spillovers from the adjustments made to monetary policies by major developed countries but also to quite a few country-specific challenges, including structural imbalances, infrastructural bottlenecks, increased financial risks, incoherent macroeconomic management and political tensions.

3. Growth in the developed economies is projected to be 2.0 per cent and 2.4 per cent for 2014 and 2015, respectively, about one percentage point higher than in the previous two years. For the first time since 2011, all major developed economies in North America, Europe and developed Asia are aligned together on the same upward growth trajectory, forming, hopefully, a virtual cycle to reinforce their recovery. Nevertheless, after five years of being mired in the aftermath of the financial crisis, these projected growth rates are insufficient to recuperate the output and job losses in most of these economies. They are still confronting a number of challenges, including the remaining fragilities in the euro area, the elevated unemployment rates in some of them and unsustainable public finances in the longer term.

[1] United Nations publication, Sales No. E.14.II.C.2.

Growth of world output, 2012-2015

(Annual percentage change)

					Change from January 2014 forecast	
	2012	2013[a]	2014[b]	2015[b]	2014	2015
World	2.3	2.2	2.8	3.2	-0.2	-0.1
Developed economies	1.3	1.1	2.0	2.4	0.1	0.0
United States of America	2.8	1.9	2.5	3.2	0.0	0.0
Japan	1.4	1.5	1.4	0.9	-0.1	-0.3
European Union	-0.4	0.1	1.6	1.9	0.2	0.0
15 European Union members	-0.5	0.0	1.5	1.8	0.1	0.0
New European Union members	0.6	1.1	2.4	2.9	0.3	0.2
Euro area	-0.7	-0.4	1.2	1.6	0.1	0.0
Other European	1.8	1.4	2.3	2.3	-0.3	-0.6
Other developed countries	2.5	2.2	2.1	2.6	-0.5	-0.3
Economies in transition	3.2	2.0	1.6	2.3	-1.7	-1.7
South-Eastern Europe	-0.9	1.9	2.0	3.1	-0.6	0.0
Commonwealth of Independent States and Georgia	3.4	2.0	1.6	2.3	-1.8	-1.8
Russian Federation	3.4	1.3	1.0	1.5	-1.9	-2.1
Developing economies	4.7	4.6	4.7	5.1	-0.4	-0.2
Africa	5.7	3.7	4.2	5.1	-0.5	0.1
North Africa	7.2	2.1	2.4	4.2	-0.9	-0.1
East Africa	5.8	6.0	6.5	6.6	0.1	0.2
Central Africa	5.8	3.2	4.5	4.1	-0.3	0.0
West Africa	6.6	6.5	7.0	7.1	0.1	0.3
Southern Africa	3.5	3.1	3.6	4.4	-0.6	0.0
East and South Asia	5.4	5.6	5.7	5.8	-0.1	-0.2
East Asia	5.9	6.0	6.0	6.0	-0.1	-0.1
China	7.7	7.7	7.3	7.1	-0.2	-0.2
South Asia	3.4	3.9	4.6	5.1	0.0	0.0
India	4.7	4.8	5.0	5.5	-0.3	-0.2
Western Asia	3.8	3.8	3.6	4.4	-0.8	0.4
Latin America and the Caribbean	3.0	2.7	2.6	3.4	-1.0	-0.7
South America	2.5	3.2	2.1	3.0	-1.3	-1.1
Brazil	0.9	2.3	1.7	2.8	-1.3	-1.4
Mexico and Central America	4.0	1.6	3.3	4.2	-0.7	0.0
Caribbean	2.8	2.9	3.6	3.7	0.3	-0.1
Least developed countries	4.8	5.3	5.6	5.9	-0.1	0.2
Memorandum items						
World trade[c]	2.5	2.5	4.1	5.1	-0.6	-0.1
World output growth with purchasing-power-parity-based weights	3.1	2.9	3.4	3.8	-0.2	-0.2

Source: Department of Economic and Social Affairs.

[a] Partly estimated.

[b] Forecast, based in part on Project LINK.

[c] Includes goods and services.

Employment trends

4. Globally, employment is estimated to have grown by 1.4 per cent in 2013,[2] a similar pace as in 2012 but stubbornly slower than the rate of 1.7 per cent in pre-crisis years. As a result, the global jobs gap (comparing the current number of existing jobs with the number of jobs that would exist considering the pre-crisis trend) widened further, to 62 million in 2013. The global unemployment rate also remained unchanged at 6 per cent in 2013.[2] Long-term unemployment has been rising in developed countries, which could lead to higher levels of structural unemployment. Across developing countries, a main challenge remains the level of informal employment which, on average, has reached between 40 and 50 per cent in Africa, Asia and Latin America and the Caribbean. Global employment is expected to continue growing at a slow pace.

Inflation outlook

5. Global average inflation is projected to increase mildly from 2.4 per cent in 2013 to 2.7 per cent in 2014, the third-lowest level since 2000. However, the trends at the subregional level vary. While average inflation for developed economies is expected to increase from 1.2 per cent in 2013 to 1.5 per cent in 2014 due to higher inflation in Japan, inflation in the European Union will actually decrease from 1.5 per cent to 1.1 per cent because of the sizeable output gap, the weakness of the recovery and the strength of regional currencies, with a fall into deflation constituting a downside risk for some European countries. For the economies in transition, average inflation for the Commonwealth of Independent States will increase and fully compensate for the almost 2 percentage point drop in inflation for the South-Eastern European countries. Average inflation in the developing economies will remain relatively stable. While inflation for Africa and Western Asia will decline slightly, a more pronounced decrease is forecast for South Asia, mainly due to falling inflation in India and the Islamic Republic of Iran. By contrast, East Asia will register a slight increase in inflation. In Latin America and the Caribbean, inflation rates are fairly stable, with the notable exception of Argentina and the Bolivarian Republic of Venezuela.

Commodity prices

6. International commodity prices will remain at high levels by historical standards but will face downward pressure and great variation across commodities. The price of Brent crude oil is expected to fall from the average $108 per barrel in 2013 to an average of $105 per barrel in 2014. If the recovery of global demand is slower than expected, oil prices could drift down further than anticipated. If further disruptions occur on the supply side in Libya, Iraq, Nigeria or other oil-exporting countries, oil prices may go above the projected level. Prices for agricultural products are also expected to decline in 2014 despite the strengthening global demand, as the relatively high prices for key staples in recent years have led to increased planting. In addition, the buoyant harvest in 2013 led to a noticeable improvement in global stocks. Even though the geopolitical tensions around Ukraine and the dry weather in some agricultural producing countries, including the United States of America and Brazil, raised concerns regarding agricultural food prices, the

[2] International Labour Organization, *Global Employment Trends 2014: Risks of a Jobless Recovery?* (Geneva, International Labour Office, 2014).

favourable stock situation and the expected abundant harvest in 2014, in particular for grains, are likely to keep prices below 2013 levels. Prices for soybeans are also projected to decline, as record high global production is anticipated in 2014. After a significant decline in 2013, prices for minerals and metals are expected to stabilize in 2014, before slightly increasing in 2015 owing to strengthening global demand and tightening supply in some markets.

International trade flows

7. World trade growth was flat in the first quarter of 2014. However, some gradual improvement is expected over the course of the year as import demand in major developed countries continues to gradually increase. Real exports are forecast to grow by 4.1 per cent in 2014, almost twice as fast as in 2013 but still below the pre-crisis trend of double the global output growth. Further improvement is expected to continue into 2015, with export growth rising to 5.1 per cent. Forecasts for both 2014 and 2015 have been revised down slightly, owing to downward revisions in output growth rates for Japan and a number of developing regions. Recent macroeconomic and financial instabilities in a number of developing countries, as well as concerns about slowing growth in large emerging economies, have dampened the outlook for trade, particularly in the case of primary commodity exporters. Trade in services continues to grow more strongly than trade in goods, although still at a slower pace than in the pre-crisis years. World commercial services exports in 2013 reached $4.6 trillion,[3] with a growth rate of 5.5 per cent, while according to preliminary joint estimates by the United Nations Conference on Trade and Development and the World Trade Organization, world exports of services grew by 6 per cent in the fourth quarter of 2013, as compared with the same quarter of 2012.

International capital flows

8. As the United States Federal Reserve Bank gradually scales back its monthly asset purchases, developing countries and economies in transition have seen a marked reduction in capital inflows in 2013 and early 2014 and they remain exposed to sudden changes in financial market sentiment. However, the episode in early 2014 differed from the one in mid-2013 in several respects. First, the abrupt change in market sentiment was not triggered exclusively by a shift in views about the Federal Reserve Bank's policy path but by a combination of factors, including fears of a larger-than-expected slowdown in emerging economies. Second, the recent sell-off of emerging market assets was mainly limited to equities, reflecting a flight to safety, with long-term United States interest rates retreating. Third, the most recent market correction was smaller and shorter in duration, with investors discriminating more among emerging economies. Some countries that were among the hardest hit in 2013, such as India and Indonesia, escaped the turmoil in early 2014, following improvement in key macroeconomic indicators. Global financial markets have since calmed and capital flows to emerging economies have stabilized. Capital flows to emerging economies are projected to pick up slowly from the low levels seen in recent quarters, in line with the expected recovery in global growth. However, significant uncertainties and downside risks stem from the interaction between perceptions of the Federal Reserve Bank's tightening path and the idiosyncratic weaknesses in some emerging markets.

[3] World Trade Organization, Press release No. 721, issued on 14 April 2014.

Exchange rates

9. The announcement by the Federal Reserve Bank and activation of quantitative easing tapering have, since mid-2013, led to a large depreciation of many currencies against the United States dollar, although some of the depreciations were a reversal of the appreciation in earlier years. In Western Europe, the fading out of the stimulus from the long-term refinancing operations and the lack of further stimulus measures by the European Central Bank, despite weak economic activity, have led to upward pressure on the currency. From a low of 1.20 in mid-2012, the euro has appreciated significantly against the dollar and is currently just below 1.40. By contrast, the introduction of new qualitative easing measures in Japan during 2013 has triggered a significant depreciation of the yen vis-à-vis all major currencies. In China, the renminbi continued to appreciate gradually against the dollar in 2013, but in the first two months of 2014, the appreciation trend came to an abrupt halt as the exchange rate reversed and experienced the largest depreciation in recent years. This mainly reflects the efforts of the People's Bank of China to alter the market trend of one-way bets on the appreciation of the renminbi. The currencies of many emerging economies depreciated sharply against the dollar in the second half of 2013, but some of them have managed to stabilize in early 2014.

Global imbalances

10. Global imbalances, that is the current account imbalances across major economies, have continued to narrow in the past few years to the lowest level relative to world gross product in a decade and are expected to remain at a benign level in 2014 and 2015. While the United States remained the largest deficit economy, its external deficit is expected to be about 2.2 per cent (of gross domestic product (GDP)) in 2014, down significantly from the peak of 6.0 per cent registered in 2006. On the other hand, the aggregate external surplus of China, Japan and a group of fuel-exporting countries has narrowed accordingly. China, for instance, is expected to register a surplus of just above 2.0 per cent in 2014, a sharp decline from a high of 10.0 per cent in 2007. Japan's surplus is expected to drop to less than 1.0 per cent. In contrast, the surplus of the euro area as a whole has increased to about 2.9 per cent, with Germany running a surplus of 7.0 per cent. Large surpluses relative to GDP are still present in oil-exporting countries, at about 16.0 per cent in Saudi Arabia and at even higher levels in some of the other oil-exporting countries. While some of the adjustment of the imbalances in major economies reflects certain improvements in the unbalanced domestic structure of these economies, other parts of the adjustment reflect a cyclical adjustment: a weakening in external demand from the deficit countries, rather than a strengthening of external demand from the surplus countries.

Economic outlook by regions

Developed economies

11. In the United States, the growth momentum built in the second half of 2013 weakened notably in the first quarter of 2014, mainly because of inclement weather, but growth is expected to pick up going forward. GDP is expected to grow by 2.5 and 3.2 per cent in 2014 and 2015, respectively. Both private consumption and business investment are expected to increase at a stronger pace than in the past two

years, along with a continued improvement in the labour market and the housing sector. Monetary policy is expected to remain highly accommodative during 2014 and into 2015, while fiscal policy will be less restrictive than in 2013. The external conditions for the United States economy are expected to improve, but only slightly, as foreign demand from major trade partners is expected to remain relatively weak.

12. After registering growth of 2.0 per cent in 2013, the Canadian economy is expected to weaken slightly in 2014 with growth of 1.9 per cent but projected to accelerate to 2.8 per cent in 2015. Employment has stalled and household consumption is muted. A drawdown in inventories is also expected to have some negative impact on GDP growth. The cyclical downturn in residential construction is expected to continue in 2014 and the growth of government spending will also be limited. On the positive side, the expected strengthening in the United States economy will provide some support for Canadian exports.

13. The Japanese economy expanded by 1.5 per cent in 2013 and is projected to expand by 1.4 and 0.9 per cent in 2014 and 2015, respectively. The fiscal stimulus package introduced in 2013 supported growth, but this stimulus is set to fade out. In April 2014, with an increase in the sales tax, the Government injected more expenditure through a supplementary budget, but the magnitude is not enough to offset fully the negative impact of higher taxes. Unconventional monetary policy implemented in April 2013 has driven down the yields of long-term securities and guided inflation expectations towards a higher level, as intended. It has also led to a significant depreciation of the Japanese yen vis-à-vis other major currencies, giving a further boost to headline inflation. However, wage growth has been limited and may not provide sufficient support to keep inflation close to the target of 2.0 per cent. The depreciation of the yen has so far had limited effects on boosting exports. Although the recovery in the labour market has been slow, the ageing population has kept the unemployment rate on a slowly declining path.

14. Western Europe emerged from recession in the second quarter of 2013. In the 15 States members of the European Union as at the end of 2003, GDP is expected to grow by 1.5 per cent in 2014 and 1.8 per cent in 2015. Since the announcement by the European Central Bank of its Outright Monetary Transactions facility in August 2012, financial tensions in the region have subsided significantly and confidence has rebounded. Fiscal austerity programmes have lessened in intensity and balance sheet repair, while ongoing, is also less of a drag on activity. The recovery remains weak, with GDP still below its pre-crisis level. The substantial slack in the region, coupled with the slow growth profile, strong currencies and weaker commodity prices, has led to extremely low rates of inflation, to the point of triggering concerns about the risk of deflation. The weakness of the recovery is also a major factor behind the dire unemployment situation. In these 15 countries, unemployment was 11.1 per cent in 2013 and is only expected to stabilize in 2014, before coming down to 10.6 per cent in 2015. This figure masks tremendous disparities across the region, with unemployment expected to be only 5.5 per cent in Germany but 25.9 per cent in Spain.

15. The recovery in the new European Union States members is firming against the backdrop of stronger activity in the 15 States members of the European Union as at the end of 2003, a modest pick-up in domestic demand, less fiscal drag and a turnaround in the inventory cycle. All countries in the region are expected to register positive growth in 2014, with the exception of Croatia. The aggregate GDP of the new member States is expected to grow by 2.4 per cent in 2014 and by 2.9 per cent

in 2015. Households remain burdened by foreign currency-denominated debt and continued deleveraging, but low inflation and strengthening of real wages should boost their spending. Although the economies still operate below full capacity and foreign direct investment remains disappointing, investment should also pick up gradually, benefiting from improved business confidence and absorption of European Union funds. Inflation in many of the new member States remained at historically low levels in early 2014 and should stay in the low single digits. Labour market conditions improved slightly in early 2014, although the situation varies across countries.

Economies in transition

16. The Commonwealth of Independent States (CIS) region continues to face a challenging international environment and, in addition, many countries are confronted with domestic challenges and risks. Several large CIS economies stagnated in early 2014. Growth in the Russian Federation, which has a strong influence over the region, was already disappointing in 2013 and the conflict around Crimea and the possibility of economic sanctions targeting broader sectors of the Russian economy have led to a massive outflow of capital and further weakening of business and consumer confidence. Depreciation of the currency in early 2014 added to inflation, undermining private consumption, and the resulting hike in the policy interest rates will further curb private investment. In 2014, growth in the Russian Federation is expected to be very low, despite fiscal expenditure on a number of infrastructure projects. The economy of Ukraine is expected to shrink in 2014 because of the political crisis, weakness in private consumption, disruptions in trade flows and significant fiscal retrenchment. Low growth is also expected in Belarus, which is strongly exposed to trade with the Russian Federation and Ukraine. By contrast, economic expansion, driven by commodity exports, is expected to continue in Central Asian economies. In Kazakhstan, high fiscal spending to offset the impact of currency devaluation on household consumption and improved competitiveness should sustain the economic momentum. Average inflation in the CIS region is likely to accelerate in 2014. The weaker currencies in Kazakhstan, the Russian Federation and Ukraine will contribute to imported inflation, while inflation in the energy exporters of Central Asia will remain high due to foreign exchange inflows and continuing public spending. For the lower-income CIS economies, such as Armenia, Kyrgyzstan, the Republic of Moldova, Tajikistan and Uzbekistan, the weakening of the Russian currency, as well as the devaluation in Kazakhstan, may adversely impact the value of remittances sent home by migrant workers, restraining private consumption and, possibly, growth. The prospective establishment of the Eurasian Economic Union in 2015 should contribute to stronger intraregional economic ties. The aggregate GDP growth in the CIS region and Georgia is expected to decelerate from 2.0 per cent in 2013 to 1.6 per cent in 2014, strengthening only modestly to 2.3 per cent in 2015.

17. The aggregate GDP of South-Eastern Europe increased by 1.9 per cent in 2013. Although still subject to numerous risks, growth is projected to accelerate to 2.0 per cent in 2014 and to 3.1 per cent in 2015, along with recovering FDI flows and strengthening domestic demand. Acceleration of growth to around 3.0 per cent would be a welcome development, but this still would be below pre-crisis growth levels and insufficient to address the region's structural needs of reindustrialization, higher labour participation ratios and a reduction of high unemployment rates,

especially among youth. The region remains dependent on external financing to cover large current account deficits and faces repayments of private debt and loans taken from multilateral institutions. Obtaining access to external funding may pose challenges against the backdrop of cooling investor sentiment towards emerging markets.

Developing economies

18. Africa will continue to see solid growth of 4.2 per cent this year, although political problems in a number of countries have led to a downward revision compared to the previous forecast. In Libya, for example, disruptions to oil output and exports will be a major drag on growth, underpinning a significantly lower growth rate for North Africa than previously forecast. A more pronounced increase in growth will occur in Central Africa, although this is largely due to negative base effects from 2013 and masks a continuing precarious political situation in the Central African Republic. In 2015, overall growth will accelerate to 5.1 per cent, carried by some rebound in North Africa in view of a recovery of oil exports in Libya and stronger growth in South Africa underpinned by solid export demand and increasing consumption and investment. Aggregate inflation will continue to decrease from 6.9 per cent in 2014 to 6.5 per cent in 2015 due to steady or lower commodity prices. However, in various commodity-exporting economies, these price trends have also contributed to currency depreciation, offsetting some of the decrease in inflation. On the fiscal side, these commodity price changes will exert pressure on fiscal revenues in the commodity-exporting economies, while fluctuations in external budgetary support hamper growth in some countries. Monetary policy has been tightened in a number of African economies, a trend that will continue into 2015 because of high inflation in countries such as Nigeria or depreciating currencies in a number of others. The lower expected growth trajectory will compound some severe labour market problems, such as high unemployment rates, widespread underemployment, low earnings and gender disparities in earnings and employment opportunities. Export growth is expected to rise after slower growth in 2012 and 2013, while import growth will continue to remain strong, propelled by large infrastructure projects.

19. East Asia is expected to see robust growth as exports to developed countries strengthen and domestic demand in most economies remains firm. Economic activity in the region is projected to expand by 6.0 per cent in both 2014 and 2015, the same pace as in 2013 and a marginal downward revision from the previous forecast. China's growth rate is expected to moderate further over the next few years, with GDP projected to expand by 7.3 per cent in 2014 and 7.1 per cent in 2015, down from 7.7 per cent in 2013. This lower growth trajectory is in line with the Government's focus on raising the quality of development and economic restructuring. Thailand is the only country in the region for which the short-term outlook has deteriorated sharply since the release of *World Economic Situation and Prospects 2014*. With the continuing political unrest taking an increasing toll on domestic demand, Thailand's GDP growth is projected to drop to about 2 per cent in 2014. The slowdown in China and Thailand will likely be offset by a pick-up in growth in the region's most export-oriented economies, which benefit significantly from stronger demand in the United States and the European Union. In most East Asian economies, household consumption and fixed investment are expected to grow at a steady pace in 2014 and 2015, helped by generally mild inflation, stable

labour markets and accommodative monetary policies. Governments are expected to maintain their current prudent fiscal policy stances. Against the backdrop of improved global conditions, higher interest rates in the United States and a slight acceleration in domestic inflation, central banks may start tightening monetary policy in the latter part of the forecast period.

20. Average economic growth in South Asia is projected to pick up gradually in the forecast period, after remaining at a near two-decade low in 2013. GDP is estimated to expand by 4.6 per cent in 2014 and 5.1 per cent in 2015, up from 3.9 per cent in 2013. The moderate recovery is expected to be underpinned by stronger consumption and investment in the context of enhanced macroeconomic stability. Several of the region's economies, including India, have seen lower inflation, stronger external balances and more stable currencies in recent quarters, conditions that are expected to support business and consumer confidence. External demand is also projected to improve in 2014 and 2015 as economic activity in developed economies gains momentum. The strength of the recovery in South Asia will, however, be restricted by structural impediments, including energy and transport constraints, political unrest and violence, and a lack of economic policy reforms. India's economy is forecast to grow by 5 per cent in 2014 and 5.5 per cent in 2015, only slightly up from 4.8 per cent in 2013. The Islamic Republic of Iran is projected to see a return to mildly positive growth in 2014 as the partial lifting of sanctions helps non-oil exports. Economic growth is also expected to pick up slightly in Bangladesh and Pakistan, supported by increases in remittance inflows and a slowly improving investment climate. Sri Lanka remains the region's fastest growing economy, with annual growth forecast to stay above 7 per cent in the outlook period. A slowdown in inflation in recent quarters has reduced the pressure on central banks to further tighten monetary conditions. At the same time, fiscal balances have slightly improved but deficits are still large and a more sustained consolidation requires significant policy changes on the expenditure and the revenue side.

21. In Western Asia, internal instabilities and lower oil exports continue to shape the economic outlook. Economic activity is still relatively weak in comparison with pre-crisis trends, with growth forecast to reach 3.6 per cent in 2014 after a 3.8 per cent gain in 2013, before accelerating to 4.4 per cent in 2015. The member States of the Gulf Cooperation Council have been on a stable growth path, despite weak oil prices and exports. During the forecast period, economic activity will continue to be supported by expansionary fiscal policies. The economies of Iraq, Jordan, Lebanon, the Syrian Arab Republic and Yemen have been hampered by continuing political instability, social unrest, security incidents and geopolitical tensions. The war in the Syrian Arab Republic has been taking a particularly heavy human toll and has led to the widespread destruction of crucial infrastructure. An extraordinarily large number of refugees have fled to neighbouring countries, posing a severe challenge for public policy and fiscal budgets. In Turkey, the surge in capital outflows and the depreciation of the exchange rate led to sharp increases in policy interest rates at the beginning of 2014. Thus, after accelerating to 4 per cent in 2013, GDP growth is expected to slow down to 2.2 per cent in 2014, before bouncing back in 2015, aided by a pickup in exports. The Israeli economy is expected to remain relatively stable with a moderate improvement throughout the forecast period, as growth will pick up more broadly, helped by strong consumer spending and external demand. Inflation in the region will continue to be relatively stable. One exception is the Syrian Arab

Republic, where inflation is expected to remain extremely high. Geopolitical tensions can further affect the region's economic prospects.

22. Economic growth in Latin America and the Caribbean is expected to continue at a subdued pace in 2014, amid increasing difficulties in some of the largest economies. The region is expected to grow moderately by 2.6 per cent in 2014, although with significant heterogeneity across subregions. Economic growth in Mexico and Central America is strengthening, benefiting from the pickup in activity in the United States, with Mexico expecting to grow by 3.2 per cent in 2014, accelerating from growth of 1.1 per cent in 2013. By contrast, growth in South America is decelerating markedly, from 3.2 per cent in 2013 to 2.1 per cent in 2014. Argentina is experiencing a noticeable slowdown amid decreasing business confidence and persistent inflation pressures, while the Bolivarian Republic of Venezuela is likely to enter into recession. Brazil's economy continues to expand at a very moderate rate of 1.7 per cent in 2014, with meagre prospects for investment demand and increasing pressure for fiscal consolidation. Other South American countries, such as the Plurinational State of Bolivia, Colombia and Peru, continue on a more solid growth path. Meanwhile, growth in the Caribbean is expected to accelerate to 3.6 per cent in 2014. Despite the continuing subdued growth, the unemployment rate is expected to remain relatively low. The outlook for inflation is also fairly stable and low, with the noticeable exceptions of Argentina and the Bolivarian Republic of Venezuela. In adjusting to the domestic business cycle and the United States Federal Reserve Bank's quantitative easing tapering, the monetary stance remains mixed. Some countries with relatively low inflation, such as Chile, Mexico and Peru, have opted to reduce interest rates, while Brazil and others have tightened their monetary stance. Meanwhile, fiscal policy is moving towards a more supportive stance. However, more importantly, reforms are needed in the region to boost investment and productivity growth.

23. The least developed countries will see solid and accelerating growth in 2014 and 2015, benefiting from favourable external demand conditions. In 2014, the least developed countries are expected to expand by 5.6 per cent, a further increase from the rate of 4.8 per cent and 5.3 per cent achieved in 2012 and 2013, respectively. More than one half of these countries are forecast to expand by at least 5 per cent in 2014 and several have registered robust headline growth rates since 2012 (7.0 per cent or more on average), including Sierra Leone, the Democratic Republic of the Congo, Liberia, Ethiopia, Mozambique and Zambia. Aggregate inflation has been declining since 2012 and is expected to reach a historic low of 7.5 per cent in 2015 on the back of generally lower prices for food and energy. However, the outlook for inflation remains heterogeneous across countries. Eritrea, Malawi and the Sudan will register double-digit inflation rates in 2014 and 2015 because of a combination of factors, including food shortages, large fiscal spending, depreciation of domestic currencies and political uncertainty. Despite the strengthening economic conditions, the development prospects in the least developed countries remain severely constrained by many structural factors, such as recurring political conflicts, high vulnerability to adverse weather patterns and commodity price fluctuations, lack of productive diversification and fragile institutions. For instance, in the Central African Republic, the political situation will continue to depress economic development. In Equatorial Guinea, which is heavily dependent on its oil sector, declining oil production will underpin an economic contraction in both 2014 and 2015; this will further cripple the prospects for any meaningful reduction in the high

poverty level that persists despite the country's high per capita income level. In Yemen, despite higher GDP growth in 2013 mainly due to foreign aid, oil and agricultural output has been restricted by internal violence and infrastructure weaknesses. Addressing these structural issues poses a major challenge for the least developed countries. This is compounded further by the recent downward trend in official development assistance (ODA), given the major role it plays in the fiscal budgets of numerous such countries. In this context, the least developed countries also face the need to build and enhance their institutional capacities, which constitutes a precondition for the effective implementation of policies supported by international aid and the provision of public goods and services.

Risks and uncertainties

Unwinding of monetary easing in major developed countries

24. An important risk factor for global growth and financial stability remains the future adjustment in monetary policies by major developed countries, particularly quantitative easing. Since its introduction after the eruption of the global financial crisis, quantitative easing has already created numerous forms of spillover in the global economy.[4] For example, in previous years, lower interest rates in developed countries underpinned capital flows to higher-yield markets, especially in emerging economies, accompanied by upward pressure on exchange rates and pressure on the competitiveness of exports. Most recently, the prospect of an exit from quantitative easing in the United States and higher interest rates has led to capital outflows and a sharp depreciation of currencies in developing countries, as evidenced in mid-2013 and early 2014.

25. The expected phasing out of quantitative easing in the United States in late 2014 and an expected increase in policy interest rates in mid-2015 could lead to overshooting in long-term interest rates worldwide, selling off in global equity markets, outflows of capital from emerging economies, an increase in external financing costs for developing countries and further depreciation of currencies for emerging economies. As a result, developing countries and economies in transition could face more painful adjustments and the moderate global growth could be derailed.

Vulnerability in emerging market economies

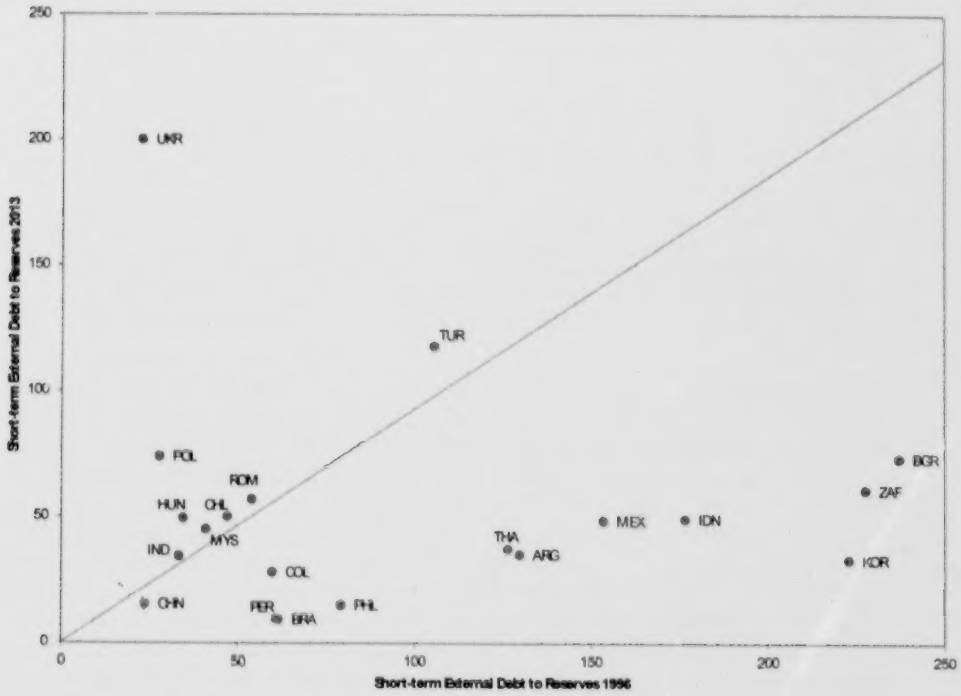
26. The recent episodes of financial market turmoil in emerging markets have raised fears that these economies could be hit particularly hard by an upcoming monetary tightening cycle in major developed economies. The sudden massive capital outflows from emerging markets seen in mid-2013 and again in January 2014, which caused asset prices and currencies to tumble, have brought back memories of the emerging market crises of the 1990s, most notably Mexico's economic crisis in 1994 and the Asian financial crisis of 1997/98. However, as illustrated in *World Economic Situation and Prospects 2014*, emerging market economies as a whole seem to be in a much better position at the present time to weather tighter liquidity conditions and capital outflows. A key weakness in the

[4] See also *World Economic Situation and Prospects 2014* (United Nations publication, Sales No. E.14.II.C.2), box I.3.

1990s was the combination of overvalued fixed exchange rates and large-scale foreign currency borrowing. By contrast, most emerging economies now operate more flexible (though still managed) currency regimes and foreign currency borrowing has generally been more limited. More flexible exchange rate regimes have supported the necessary rebalancing process. A case in point is India, where the rupee's fall in 2013 has played an important role in reducing the current account deficit. Importantly, the ratio of short-term external debt to international reserves is also much lower today than it was in the mid-1990s, especially in East Asian and Latin American countries (see fig. 1). In addition, macroeconomic policy management has improved over the past 20 years: financial sector supervision and regulation have been strengthened, macroprudential oversight has been enhanced and monetary and fiscal policies have become more prudent. Consequently, a widespread severe emerging market crisis triggered by a sudden reversal of capital inflows seems unlikely at present. This is also reflected in the relatively low bond spreads that are currently observed in most emerging markets (see fig. 2).

Figure 1

Short-term external debt to total reserves 1996 compared to 2013 (percentage)[a]



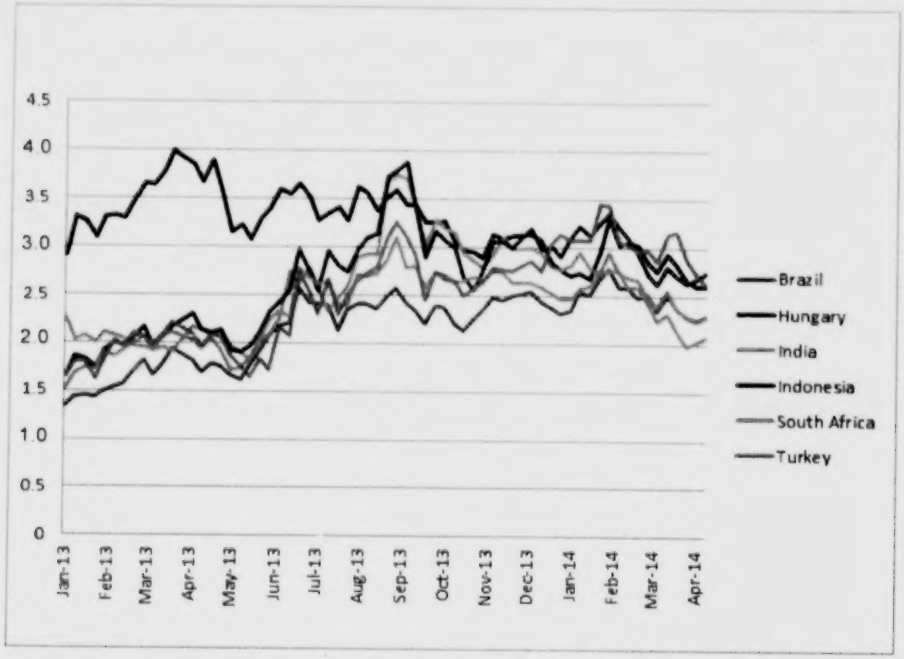
Sources: Short-term external debt data are taken from World Development Indicators database and Quarterly External Debt database, jointly developed by the World Bank and the International Monetary Fund (IMF); debt data for Chile and the Republic of Korea are taken from national central banks. Foreign exchange reserves (excluding gold) are taken from IMF International Financial Statistics.

Note: For South Africa, the earlier figure is for 1997; for Argentina, the later figure is for 2012.

[a] Indicated by the three letter-codes assigned by the International Organization for Standardization.

Figure 2

EMBI Global[a] strip spreads in selected economies (weekly; percentage points), January 2013-April 2014



[a] The JP Morgan Emerging Markets Bond Index Global (EMBI Global) measures the total returns for United States dollar-denominated sovereign debt instruments. The sovereign spread is calculated over the entire duration of the strip Treasury curve using zero coupon rates. The spread is quoted in basis points. Higher values indicate higher default risk.

27. Yet, there are weaknesses and potential vulnerabilities at the individual country level. On the external front, the ratio of total external debt to GDP has increased in the majority of emerging economies since the global financial crisis but remains at low to moderate levels except in some Eastern European countries (e.g., Hungary). Current account deficits (relative to GDP) are, however, still large in a number of countries, such as Turkey, Ukraine and South Africa. These countries appear to be most vulnerable to further capital reversals, especially when short-term external debt levels are also elevated. Further monetary policy tightening and substantial increases in financing costs in some emerging economies in response to external financial pressures could further hamper growth. A combination of slowing growth and higher interest rates can significantly heighten the risks for banks and non-bank financial institutions in many emerging economies as the volume of credit available to the private sector has increased rapidly in recent years to elevated levels. Meanwhile, political instability and weak economic policy credibility are additional risks for several emerging economies.

Remaining fragilities in the euro area

28. In the euro area, the systemic risks have subsided dramatically since the European Central Bank announced its Outright Monetary Transactions facility in August 2012. Despite having never been deployed, its mere existence has broken the negative feedback loop between weak banks and weak government fiscal positions. Sovereign bond spreads have narrowed significantly since its announcement and the sense of crisis has dissipated despite occasional events, both economic and political, that in the past would have led to renewed crisis.

29. Nonetheless, significant fragilities remain. The banking sector remains under stress. Lending conditions remain heterogeneous across the region with overall credit to the private sector still declining. In addition, the European Central Bank and the European Banking Authority are currently performing a major asset quality review and stress tests for a large sample of the region's banks. These are expected to determine a need for significant recapitalization of some banks, with a question of who will pay for it. If governments were to be required to finance a large portion of this recapitalization, the negative feedback loop could re-emerge.

30. With extremely high unemployment rates in some countries, inflation remains dangerously low. In the euro area, it has been below 1.0 per cent since October 2013, which, in conjunction with continuing weak growth in output, raises the spectre of Japanese style deflation. Aside from being exceptionally difficult to exit, deflation would also increase real government debt burdens and perhaps reignite the debt crisis as fiscal targets become increasingly difficult to achieve.

Other uncertainties and risks

31. There are other risks and uncertainties for the world economies. Public finances in many developed countries are still not on a sustainable path in the longer term. For example, in Japan, with its debt at 220 per cent of GDP, one half of the revenue from new debt issuance was spent on debt servicing in recent years. The increase of the sales tax rate in 2014 is not sufficient to balance the primary budget. One potential risk is that financial markets demand a higher return. This risk will become even more acute if the current account turns into a deficit for a sustained period.

32. In addition, geopolitical tensions in many parts of the world, extreme climates and environmental disasters all pose consequential risks for the world economy.

Policy challenges

Fiscal policy stance

33. The size of the average budget deficit in developed countries fell to 4.9 per cent of GDP in 2013 from 6.2 per cent in 2012, but public debt continued to rise. In the outlook, fiscal tightening will likely continue in most of the developed economies in 2014 but at a slower pace. In the United States, following the fiscal austerity of past years, the fiscal drag on growth should be less contractionary in 2014. In the European Union, the speed of fiscal consolidation has varied across countries, although the most indebted countries have already implemented drastic austerity packages. In Japan, where a large fiscal stimulus package was adopted in early 2013, the budget deficit increased to around 10.0 per cent of GDP. A

supplementary package was introduced at the end of 2013 to soften the impact of the higher sales tax rate.

34. In many developing countries and economies in transition, the fiscal position of which in terms of budget deficits and public debt was generally better than that of developed economies, budget deficits measurably increased in 2013, especially in a number of low-income countries. Reasons include increased public spending or lagging revenues, caused by weaker commodity prices. Although in general public debt levels in developing countries are relatively low, increasingly volatile terms of access to financial markets and the rising share of external debt may create challenges in debt refinancing. At the same time, many developing economies are confronting poverty and increasing inequality, requiring a mix of fiscal prudence and a sustainable framework of social security for reducing poverty and inequality.

Monetary policy stance

35. Monetary policies in major developed countries remain accommodative, featuring policy interest rates at or near zero and quantitative easing. In addition, central banks in these countries adopt forward guidance as an important tool for reducing the potential for surprise and managing market expectations. Among the challenges is the formulation and timing of changes in forward guidance. For example, in early 2014, the United States Federal Reserve Bank changed the wording of its forward guidance, driven especially by the faster than expected fall in unemployment, which was largely due to a lower labour participation rate. In terms of differences across countries, while the Federal Reserve Bank is struggling with charting its exit from its current policy stance, the European Central Bank hinted at the possibility of taking an even more accommodative stance through new quantitative easing measures or via another cut in policy rates which would introduce a negative deposit rate.

36. Monetary policies vary in the developing countries and economies in transition, with some countries taking a tightening stance while others are easing. The relevant determinants include spillovers from policy tightening in developed countries, especially in the form of capital inflow reversals and exchange rate depreciation; inflation rates, which remain high in numerous developing countries; unemployment levels; and overall economic growth. In this context, policymakers in several emerging markets have already had to confront the dilemma of slowing growth, which would merit lower policy interest rates, and the need to cope with external conditions through higher interest rates.

Policy challenges for managing the unwinding of quantitative easing

37. The withdrawal and unwinding of quantitative easing measures constitute a major policy challenge in terms of the precise design and timing of individual actions. At the operational level, policymakers need to determine the magnitude and schedule of the reduction in asset purchases, decide on whether and at what pace to reduce their asset holdings, and tie this in with the future path of policy interest rates. These policy decisions continuously have to be reassessed and reflected against the emerging macroeconomic data outlook and the state of the real economy.

38. To reduce the risks for global growth and financial stability, policymakers should pursue a clear communication strategy that provides concise guidance and effectively manages market expectations. In addition, policies explicitly need to take

into account the risk of a premature withdrawal in the form of a more pronounced weakening of the economic recovery, as well as the possibility that a delayed unwinding could drive up asset prices to unsustainable levels. For the case that financial markets overreact and contagion takes hold across the financial system, contingency plans need to be developed with broad coordination at the international level. Moreover, enhanced supervision, regulation and surveillance can help to reduce risks and vulnerabilities by addressing emerging problems at an early stage. In developing countries, the challenge lies in dealing with the possible spillovers from the unwinding of quantitative easing in developed countries. This applies especially to those countries that are highly exposed to international capital markets and run large external imbalances financed by short-term external capital flows.

Policy challenges for strengthening employment

39. As the number of jobs lost in comparison with the pre-crisis employment trend continues to increase and structural unemployment remains a major problem, policymakers will need to implement more supportive macroeconomic policies and active labour market policies. Macroeconomic policies have so far been uncoordinated and their impact on job creation limited. While expansionary monetary policies in developed economies have helped in avoiding larger falls in employment, they have not sufficiently stimulated employment. Moreover, weak aggregate demand, combined with fiscal consolidation in many developed economies and, more recently, in some emerging economies, has led to a slow economic recovery and high uncertainty regarding the economic outlook. This in turn has limited the willingness of the private sector to invest. Hence, as emphasized by finance ministers and central bank governors at the most recent meeting of the Group of 20, fiscal strategies will need to be more supportive of output growth and employment creation. In addition, on the monetary side, access to credit for small and medium-sized enterprises is essential as they play a significant role in job creation. Ultimately, there is the need to adequately coordinate monetary and fiscal policies in order to foster employment creation.

40. In terms of concrete labour market policies, policymakers will need to minimize individual losses due to reallocation of labour across sectors and to facilitate the re-employment of those that have experienced long spells of inactivity. First, governments will need to find the right balance between recent labour market flexibility initiatives, which are expected to create more dynamic labour markets, and unemployment benefit schemes in order to minimize individual losses for those who face higher risks of long-term unemployment and poverty. Second, unemployment benefits should be coupled with active labour market policies. Long-term unemployment, which has been on the rise, leads to depreciation of human capital, negative health effects and higher risks of aggravating structural unemployment. Specific lessons learned from the Organization for Economic Cooperation and Development (OECD) countries with lower unemployment rates during the crisis indicate that activation strategies for unemployed individuals should include job search assistance and training programmes, as well as institutional reforms to better coordinate unemployment schemes with employment services. However, the main challenge remains that many governments have limited resources to ensure such adequate employment services. In many developing countries, greater diversification and the development of higher value-added sectors

through more proactive industrial and innovation policies are needed to reduce unemployment and underemployment and to increase formal employment.

Development in international trade policies

41. Intensive efforts are under way within the World Trade Organization on implementing the outcomes of the Bali Ministerial Conference held in December 2013 and refocusing new efforts to complete the Doha Round. The extent of progress should become clearer later in 2014.

42. In regard to regional trade agreements, little progress has been made with respect to two major agreements, the Transatlantic Trade and Investment Pact and the Trans-Pacific Partnership. A controversial point has been the inclusion of investor-state dispute settlement agreements in the Pact. Some consider that such dispute settlement is necessary to ensure that companies operating in foreign countries are not subject to discriminatory regulations, whereas others are of the view that it will give companies undue influence over the ability of governments to regulate industries within their borders. However, progress has occurred in regard to bilateral trade agreements. Japan and Australia signed a free trade agreement which allows significantly greater food imports into Japan, and reduces tariffs on cars, auto components and electronics, among other goods imported by Australia. Panama and Mexico also signed a free trade agreement which is a prerequisite for Panama joining the alliance comprised of Mexico, Chile, Colombia and Peru.

International policy coordination

43. The need for more effective international policy coordination has become an imperative against the backdrop of a fragile recovery of the global economy and various downside risks, such as destabilizing capital outflows and exchange rate volatility in emerging markets. In particular, stimulating global demand and output growth should remain an overarching priority for enhanced policy coordination at the global level.

44. Finance ministers of the Group of 20, meeting in early 2014, committed to raising their collective GDP by more than 2 per cent, or by US $2 trillion in five years, to reduce their output gaps. They agreed to develop a comprehensive growth strategy, the Brisbane Action Plan, ahead of the convening of the Group of 20 Summit later in 2014.

45. Moreover, efforts are needed in relation to international tax cooperation. Profits should be taxed where they are earned and all countries should sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in order to enhance compliance with domestic tax regulations. Further progress is needed to fight cross-border tax evasion and tax avoidance.

46. In the area of international financial regulation, some progress has been made in recent months, with large banks on course to meet the new Basel III capital requirements almost five years ahead of the deadline. The Financial Stability Board agreed on a globally consistent leverage ratio, which financial institutions will be required to disclose by January 2015. In its efforts to end the so-called "too big to fail" problem, the Board has already identified systematically important banks and is developing a global standard for the minimum loss absorption capacity that these banks should maintain in order to mitigate the risk of default. Such financial

reforms need to be implemented promptly and consistently, and international regulatory cooperation needs to be strengthened.

47. Priorities should also be given to the implementation of the IMF quota and governance reforms agreed to in 2010.

48. Regarding international development cooperation policies, ODA flows have rebounded by 6.0 per cent in 2013 from the decline in 2011 and 2012, reaching a record level, but are still far below the United Nations target of 0.7 per cent of gross national income. Development partners should ensure that sufficient external resources are available to developing countries, particularly to the least developed countries, to strengthen their capacity to meet the Millennium Development Goals and to implement the post-2015 development framework.

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Implementation of and follow-up to major United Nations conferences and summits: follow-up to the International Conference on Financing for Development

Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the World Bank, the International Monetary Fund, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 14 and 15 April 2014)

I. Introduction

1. The special high-level meeting of the Economic and Social Council with the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) was held in New York on 14 and 15 April 2014. The overall theme of the meeting was "Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda". The meeting featured an opening address by the Deputy Secretary-General and statements on behalf of the Trade and Development Board of UNCTAD, the joint Development Committee of the World Bank and IMF, the International Monetary and Financial Committee of IMF and WTO.

2. The meeting was organized around a ministerial segment, two thematic debates and a multi-stakeholder dialogue, each of which was followed by an interactive discussion. The ministerial segment focused on the theme "World economic situation and prospects". The thematic debates were organized around the themes of "Mobilization of financial resources and their effective use for sustainable development" and "Global partnership for sustainable development in the context of the post-2015 development agenda". At the multi-stakeholder dialogue on the way

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forward, the participants discussed all three themes. The participants had before them a note by the Secretary-General (E/2014/53), in which background information was provided and possible questions for discussion under the three themes were suggested.

3. The meeting was preceded by preparatory consultations and meetings between the Bureau of the Economic and Social Council and the executive boards of the World Bank and IMF, in addition to intergovernmental representatives and senior management of WTO and UNCTAD, at which the agenda and format of the meeting were discussed and agreed upon.

4. Speakers at the ministerial segment included three ministers, two central bank governors and a European Commissioner. A significant number of executive and alternate directors of the executive boards of the World Bank and IMF attended the meeting. Also participating were high-level government officials in the areas of finance, foreign affairs and development cooperation, in addition to senior staff of organizations of the United Nations system and other international organizations, including the major institutional stakeholders. Representatives of civil society and the business sector also participated actively.

II. Opening of the special high-level meeting

5. The opening of the meeting featured statements by the President of the Economic and Social Council, Martin Sajdik (Austria), and the Deputy Secretary-General.

6. The President, in his statement, welcomed the participants to the meeting, emphasizing that it was being held at a critical moment when the United Nations was engaged in shaping the post-2015 development agenda in New York. He began by noting that, according to the United Nations flagship publication, *World Economic Situation and Prospects 2014*, world gross product was expected to grow by 3 per cent in 2014. Some European countries continued to face tough challenges, however, with unemployment rates at 27 per cent and youth unemployment at more than 50 per cent. Extremely high structural unemployment also existed in North Africa and Western Asia, in particular among young people. He stressed that the post-2015 development agenda would require a comprehensive financing framework to ensure the mobilization of all financing sources and their effective use for sustainable development. He noted that the work of the Intergovernmental Committee of Experts on Sustainable Development Financing was expected to have a decisive bearing on the intergovernmental deliberations on financing for development in support of the post-2015 development agenda. He pointed out that a comprehensive financing strategy should incorporate all forms of financing, including public and private, domestic and international. Ultimately, however, financing for development in most countries would be generated domestically. Policymakers would need to think creatively about how to provide investors with appropriate incentives to invest in sustainable development. The environment for investors must be stimulating, which would be achievable only through good governance, transparent public institutions and the rule of law. At the same time, traditional development cooperation, and official development assistance in particular, would continue to play a significant role, especially for least developed and other vulnerable countries. Lastly, he noted that the Economic and Social

Council could promote synergies between various processes and events leading towards a global development agenda beyond 2015. That new development agenda, with poverty eradication and sustainable development at its core, needed to be based on a strengthened global partnership for development that reflected the changes in the global development landscape and engaged all actors. It also needed strong monitoring and accountability mechanisms. The Development Cooperation Forum High-level Symposium on accountability and effectiveness of development cooperation, held three weeks earlier in Berlin, had underscored that there was a need for such a global umbrella framework for accountability in development cooperation.

7. In his statement, the Deputy Secretary-General said that inequalities had increased as a result of the global crisis, meaning that macroeconomic policies worldwide must focus on a strong, balanced and sustainable recovery, with particular emphasis on jobs. In that respect, strengthened multilateralism was important, in particular in the areas of global trade and macroeconomic policies. He called for efforts to accelerate progress towards the attainment of the Millennium Development Goals to be strengthened, even though the international community had begun to set the direction beyond 2015 by shaping a new development agenda. He welcomed the beginning of deliberations on the means of implementation of the post-2015 development agenda, especially on financing. He noted that the Secretary-General, in his meeting with the multilateral development banks just a week earlier, had urged further cooperation with Member States and the United Nations system to strengthen strategies for development financing. He highlighted that official development assistance remained critical, in particular for those countries most in need. Developed countries should deliver on both official development assistance and climate finance commitments. Countries also needed to strengthen and develop long-term, stable and inclusive national financial systems. Equitably expanding tax revenue in developing countries would not only increase the domestic resources available for development, but also promote accountability and public oversight. Moreover, the world could not continue to ignore illicit financial flows that deprived countries of much-needed revenue and reinforced corruption and crime. That issue had to be tackled in countries of origin and in countries of destination. He concluded that the task ahead had two facets: ensuring that hard-won development gains were preserved and putting the world on a sustainable development path that was underpinned by a new global partnership for development based on equity, cooperation and, above all, accountability. The role of the Economic and Social Council and the organizations present would be crucial in those endeavours and the upcoming third international conference on financing for development would afford a unique opportunity to foster sustainable development.

III. Ministerial segment on theme 1: "World economic situation and prospects"

8. The morning session featured a high-level panel on the theme of "World economic situation and prospects", followed by an interactive discussion. The panel began with a presentation by the Chief of the World Economic Studies Division of IMF, Thomas Helbling, and was followed by interventions by the Ms. Commissioner for International Cooperation, Humanitarian Aid and Crisis Response of the European Union, Kristalina Georgieva; the Minister of Trade and

Development Cooperation of Denmark, Mogens Jensen; the Permanent Representative of the Plurinational State of Bolivia to the United Nations (speaking on behalf of the Group of 77 and China), Sacha Sergio Llorentty Soliz; the Governor of the Central Bank of Austria, Ewald Nowotny; the Vice-Minister of Finance of Libya, Moraja Buhlaiga; the Deputy Minister of Finance of Turkmenistan, Muhammetguly Muhammedov; the Governor of the Central Bank of the Sudan, Abdelrahman Hassan Badelrahman Hashim; and the President of the Eurasian Economic Club of Scientists, Murat Karimsakov.

9. Mr. Helbling presented the highlights of the most recent IMF *World Economic Outlook* update. He noted that global growth had strengthened in the second half of 2013 and was expected to accelerate further in 2014 and 2015. Emerging markets and developing economies were expected to strengthen only modestly, however, with increased risks stemming from a changing external environment. Looking ahead, he predicted that fiscal policy in advanced economies would be less tight in 2014 and 2015, except in Japan, and that monetary accommodation would continue, with interest rates in the United States of America expected to begin rising in 2015 Global growth was expected to strengthen to 3.6 per cent in 2014 and 3.9 per cent in 2015, although those rates remained well below potential. In the case of emerging markets, exports were expected to be supported by stronger demand from advanced economies, although that would be offset by tighter financing conditions. Growth in emerging markets was expected to slow in general, with growth in China expected to moderate. The fundamentals in most countries remained reasonable, however, with high foreign exchange reserves, low inflation and a still-positive aggregate current account balance. Many emerging-market currencies had depreciated, helping adjustment and aggregate capital inflows still to remain positive and likely to pick up further. Uncertainties remained, however, owing to the crisis in Ukraine, which could have a negative impact on the world economy. In conclusion, he recommended that policies for emerging and developing countries should include exchange rate flexibility to better absorb shocks, well-anchored inflation rates, a fiscal policy that was geared to medium-term objectives pertaining to public and external debt and structural reforms to increase medium-term growth.

10. Ms. Georgieva warned that the risks arising from natural disasters and conflicts were not sufficiently taken into consideration in the assessment of the world economic situation. Natural disaster costs, for example, had quadrupled in the past 25 years, with the steep upward trend bound to continue in coming decades. Disasters had both fiscal and supply chain consequences. Conflicts, such as in the Syrian Arab Republic or the Central African Republic, had additional negative macroeconomic and microeconomic impacts and were tearing apart the social fabric of countries. To tackle those issues, the European Union was assessing its own risks and had put in place investment policies to address them within Europe. Furthermore, in its development policies and humanitarian aid, the Union had made fragility a priority, focusing on countries at risk of disasters and conflict.

11. Mr. Jensen stressed that growth was key to poverty eradication, but that it needed to be inclusive. Most importantly, that entailed job creation. Governments and the private sector had complementary roles in driving forward those goals. He also highlighted the dramatic changes in the landscape of development finance, such as much greater expectations for the role of private sector financing in development. Given the role of private financing, it was critical for labour rights to be upheld and for other challenges, such as illicit flows and aggressive tax planning, to be taken

on. At the same time, official development assistance would continue to play a significant role, in particular in the least developed countries.

12. Mr. Llorentty Soliz noted that the meeting was significant because it was being held in the context of the follow-up process to the United Nations Conference on Sustainable Development, the preparatory process for the third international conference on financing for development and the discussions on a post-2015 development agenda. In that context, he suggested that the Economic and Social Council should be strengthened to enable it to play a coordinating role on development issues. He stressed that the international monetary and financial system should be reformed in order to render it more effective, transparent and legitimate. The international financial architecture would need to give more voice to developing countries and the financial system would need to be duly regulated. He called for a far-reaching reform of the Bretton Woods institutions, especially with a view to increasing the representation of developing countries in their decision-making processes. Lastly, he stressed that the spirit of the Monterrey Consensus of the International Conference on Financing for Development should be maintained, while common but differentiated responsibilities should be the guiding principle for a new global partnership for development. Effective means of implementation would be at the heart of a renewed and strengthened global partnership. He urged developed countries to meet their official development assistance commitments, in particular to achieving the target of 0.7 per cent of gross national income to developing countries by 2015, in addition to the target of 0.15 to 0.20 per cent of gross national income to the least developed countries. He added that the United Nations should remain at the centre of efforts to coordinate a follow-up process for financing for development.

13. Mr. Nowotny noted that advanced economies were back on the recovery track, while emerging markets were under pressure. Eastern Europe and the Russian Federation had witnessed considerable capital outflows as a result of the situation in Ukraine. In addition to long-term structural factors, cyclical factors were at play, including through the tapering of monetary policies in the United States, which was affecting global financial markets. In particular, tapering had a substantial impact on emerging markets. Problems in those markets were rooted in the period of easy finance after 2008, which had taken advantage of capital flowing out of developed countries and led to credit booms and asset price increases. That had resulted in diminished impetus for reform and deteriorations in current accounts. Emerging markets would have to be better prepared for the normalization of policies in the advanced economies. Moreover, to maintain investor confidence, it was of utmost importance to avoid further complications such as the escalation of geopolitical tension.

14. Mr. Buhlaiga noted that the meeting would contribute to reaching agreement on a post-2015 development agenda. He asserted that the United Nations system must play a critical role in coordinating international efforts to mobilize resources for sustainable development finance and that common but differentiated responsibilities must remain the guiding principle for development cooperation. The global financial and economic crisis had revealed a malfunction in global economic governance, he said, stressing that there was a need to strengthen the role of the United Nations in the international economic and financial realm. Stronger efforts would be needed to create a financial system that would seek to channel investment towards sustainable development. He stated that official development assistance

commitments should be fulfilled and debt restructuring facilitated, emphasizing that the Monterrey Consensus and the Doha Declaration on Financing for Development represented a comprehensive framework that should guide such efforts in the future.

15. Mr. Muhammedov spoke of his country's policies aimed at attaining sustainable development. Turkmenistan had adopted a medium-term development plan in line with the Millennium Development Goals with the aim of changing the country into a modern economy in harmony with its traditions and values. That sustainable development model, supported by pragmatic State regulations, was yielding good results. He wished other countries similar success.

16. Mr. Hashim welcomed the spirit of the financing for development agenda. He deplored the lack of achievement towards attaining the Millennium Development Goals in some African countries, including his own. He noted that the obstacles included the high debt burden, which had persisted in some countries, the Heavily Indebted Poor Countries Initiative notwithstanding. More debt relief was therefore needed for achieving the Goals in the Sudan and some other countries.

17. Mr. Karimsakov provided information about his association, which had been established in 2008 in Astana to pool the efforts of researchers in order to find ways to overcome the financial crisis. At the World Anti-Crisis Conference, held in Astanain 2013, participants had drafted a world anti-crisis plan. The Second World Anti-Crisis Conference was to be held in May 2014 in Astana and would support the push to achieve the Millennium Development Goals by 2015 and to define a new post-2015 development agenda. He proposed that the Economic and Social Council should be the main coordinating body for implementing the Anti-Crisis Plan and invited all participants to the Second World Anti-Crisis Conference.

18. In the ensuing discussion, participants affirmed that the Monterrey Consensus and the Doha Declaration provided a strong foundation for a financing strategy for sustainable development. They asserted that stronger global cooperation was needed to avert major risks and promote sustainable development. There was a need for adequate policy space and an enabling global environment that would include not only development-oriented policies in the areas of trade, finance and debt, but also better representation of developing countries and emerging economies in the governance of the international financial system.

19. Some participants emphasized that the underperformance of the world economy partly stemmed from excessive austerity and that problems relating to unemployment, including youth unemployment, and inequality needed to be resolved.

20. While recognizing that all sources of financing would need to be tapped to achieve sustainable development, participants also stressed that official development assistance would remain a key component of international development finance. There were calls for donor countries to meet their official development assistance commitments and for better alignment of aid flows with country priorities. Participants noted that the private sector had abundant financial resources, yet public and private finance were distinct and should be seen as complements, not substitutes.

21. Participants, in particular those from the Group of 77, also said that the means of implementation for the post-2015 development agenda should consist of a mix of

financial resources, technology transfer and capacity-building and be delivered in accordance with the principle of common but differentiated responsibilities.

22. There was also recognition that climate change was an immediate challenge and that the Green Climate Fund would need to be capitalized urgently. In that context, several participants noted that the financing for development track from the Monterrey Consensus and the Doha Declaration and the climate change financing track were separate. Given that participants in the United Nations Conference on Sustainable Development had called for a comprehensive development agenda, the question was raised as to whether and how those streams should be integrated.

IV. Statements by institutional stakeholders

23. The morning session concluded with statements by the President of the Trade and Development Board of UNCTAD, Triyono Wibowo (Indonesia); the Vice-President and Corporate Secretary of the World Bank Group and Acting Executive Secretary of the joint Development Committee of IMF and the World Bank, Jorge Familiar Calderón; the Deputy Secretary of IMF and Acting Secretary of the International Monetary and Financial Committee, Calvin McDonald; and the Deputy Director General of the World Trade Organization, Yi Xiaozhun.

24. Mr. Wibowo reported that the UNCTAD forecast for the world economy foresaw below-potential global growth, making it slightly more pessimistic than the IMF forecast. He suggested that proactive and demand-driven policies could lead to better and more stable growth that would benefit every country. In that context, UNCTAD believed that income-protecting policies merited special consideration. In addition, developing countries should focus on investment and diversification. He pointed out that, with regard to the mobilization of financial resources, achieving existing and new development goals would require significant investment, well above current levels. In that regard, private finance would need to be increased. Indeed, foreign direct investment was already six times higher than official development assistance. The right policy framework and conditions needed to be created to facilitate additional investment at both the national and global levels. Lastly, he noted that the role of the Economic and Social Council in developing a post-2015 agenda had to be strengthened, along with the voice of developing countries in discussions in the international arena, and that more reforms were needed in the areas of debt and tax cooperation.

25. Mr. Familiar Calderón reported on recent discussions in the Development Committee on the global economy and the progress in implementing the new strategy of the World Bank. The Committee had recognized that fostering strong and inclusive growth would require policy adjustments and agreed upon the importance of social inclusion, capacity-building and integration of environmental concerns in the context of sustainable development and poverty eradication. It had also discussed and strongly supported the Bank's reforms and its new strategy to achieve its goals — ending poverty and achieving shared prosperity. He noted that, among other measures, the Bank created global practices, so that knowledge gains in one country would be available globally.

26. Mr. McDonald noted that the continuing recovery of the global economy remained uneven. IMF would continue to analyse the implications of unwinding monetary support in developed countries and would assist countries in dealing with

that issue. The full range of financial facilities, including precautionary facilities, would remain available. On the fiscal front, IMF would continue to work on policy advice and would advance reform options on sovereign debt restructuring, in addition to contributing to the global debate on tax issues. As to financial sector policies, it would continue to assess the impact of regulatory fragmentation, advance the discussion on cross-border resolution regimes, the impact of shadow banking and macrofinancial risks, in addition to filling data gaps. With regard to issues of policy coherence and coordination, IMF would continue to monitor the impact of country policies through its spill over reports and integrated surveillance mechanism. Lastly, reiterating that IMF quota reforms remained a priority, he urged the United States to ratify them at the earliest opportunity.

27. Mr. Yi stated that the discussions around the sustainable development goals had to date lacked a specific focus on trade. Nevertheless, trade had a critical role to play in achieving the Millennium Development Goals and in economic growth more generally. It could lead to employment creation, including of better and more decent jobs, given that employment in export-oriented industries typically paid higher wages than in other sectors. Trade liberalization was critical for some of the fastest-growing economies. It needed, however, to be supported by other reforms, such as improved property rights and supply capacity, to yield results. For that reason, he suggested that the role of trade must not be downplayed in the post-2015 development agenda. Instead, it should be an integral part of the sustainable development goals, as a development policy instrument and as an enabler of socioeconomic development. The Bali package and the Doha Round work programme could also support the delivery of sustainable development goals, for example in the area of financing.

V. Thematic debate on theme 2: "Mobilization of financial resources and their effective use for sustainable development"

28. The first thematic debate featured presentations by the Co-Chairs of the Intergovernmental Committee of Experts on Sustainable Development Financing, Pertti Majanen (Finland) and Mansur Muhtar (Nigeria), and the Special Envoy on the Millennium Development Goals and Financial Development of the World Bank Group, Mahmoud Mohieldin.

29. The Co-Chairs of the Intergovernmental Committee of Experts on Sustainable Development Financing referred to the work of the Committee, which had been established in follow-up to the United Nations Conference on Sustainable Development and was currently discussing options for an effective sustainable development financing strategy. Mr. Majanen began by emphasizing the foundations of the Committee's work, which were the Millennium Declaration, the Monterrey Consensus and the outcome document of the United Nations Conference on Sustainable Development, entitled "The future we want". He then referred to the state of the work of the Committee, pointing out that the Co-Chairs had been collaborating with the Co-Chairs of the Open Working Group on Sustainable Development Goals to ensure that the reports of the two processes, which would both be submitted to the General Assembly in September 2014, were coordinated. The Committee had decided to organize its work in three clusters: assessing financing needs, mapping of current flows and emerging trends and the impact of

domestic and international environments; mobilization of resources and their effective use; and institutional arrangements, policy coherence, synergies and governance. All three clusters would submit reports on their findings to the Co-Chairs by 25 April 2014 There were already areas where broad agreement among the Committee was evident. For example, the preliminary findings of the first cluster suggested that global savings, estimated to be some $18 trillion annually, were sufficient to meet the very large estimated sustainable development needs. The challenge thus lay in promoting a financial system that provided incentives to use a percentage of public and private savings to meet those needs. The Committee had benefited greatly from the input of outside experts and from its interaction with other stakeholders, including civil society and the private sector. In that regard, he referred to the recent outreach event organized by the Committee in Helsinki on co-creating new partnerships on financing for development. The participants at the event had included senior representatives of the private sector, civil society, Governments and other experts on partnerships. He cited some of the conclusions from the meeting, including the need to turn principles for investing, such as human rights, environment, anti-corruption and responsible investment, into specific action. That paradigm shift could be facilitated by, among other things, making sustainable development an essential element in company strategies, making better use of synergies between public and private financing and creating innovative partnerships leading to development-enhancing investments that were fair to taxpayers. A summary of the discussions had been prepared and would be available on the Committee's website.

30. Mr. Muhtar raised the issue of sources of financing for the post-2015 development agenda. There had been agreement in the Committee that, as specified in the Monterrey Consensus, countries were responsible for their own development and that the international environment should play a supportive role. It was therefore necessary to strike the correct balance between domestic resource mobilization and country ownership, on the one hand, and international obligations and commitments, on the other. Domestic resource mobilization was a critical element of public financing, but had to be considered according to each country's capacity. Sustainable growth was a precondition for raising those resources, while at the same time there was a need to combat illicit flows and facilitate international tax cooperation. While official development assistance would remain crucial for the eradication of extreme poverty, especially in the poorest countries, it alone would not suffice to meet sustainable development needs, even if all donor countries met their commitments. Private investment would have to play an essential role in meeting those needs. To date, however, such investment had been insufficient and not provided incentives for long-term investment in sustainable development activities. Public policies would be needed to set the right incentives to attract private investment to sustainable development, together with an enabling national and international environment. He referred to the potential role of public finance in leveraging private flows into key development sectors. At the same time, there was a need for governance reforms at the global level, promoting a fair and rules-based multilateral trading system and a stable global financial system. He also highlighted the importance of efforts to mobilize additional and innovative sources of finance for sustainable development, including through the implementation of a financial transactions tax and a carbon tax, in addition to remittances. More work was needed in those areas, including on the scalability and replicability of some initiatives and on measurement and additionality issues.

31. Mr. Mohieldin presented an overall framework on financing for development beyond 2015, under which sound policies and institutions would make more effective use of existing resources and leverage additional financing. Its pillars included enhancing domestic resource mobilization, having better and smarter aid and drawing on the domestic and external private and financial sectors. Innovative financing and innovation were at the core of the framework, with the goal of leveraging additional resources and improving efficiencies. To strengthen domestic resource mobilization, he recommended improving taxation capacity, enhancing collection of natural resource revenue, curbing illicit financial flows and increasing expenditure efficiency. He stated that the private sector should be viewed as a partner in development, through its role in job creation and income growth, through measures to use and leverage private finance into key development-enhancing sectors and through the mobilizing of philanthropy and encouraging of corporate social responsibility. He referred to the challenges of mobilizing finance at the country level, pointing out that countries needed to determine their policy and financing strategies to implement post-2015 development goals, given the scarce financial resources and levels of access to private finance. Countries also faced the challenge of mobilizing private long-term finance for infrastructure. Key measures included putting in place an adequate legal and regulatory framework, ensuring a pipeline of high-quality projects, mainstreaming the use of risk-sharing mechanisms with support from multilateral financial institutions, having appropriate financial regulation and developing domestic capital markets. Attracting the large pool of untapped resources from institutional investors could scale up development finance. He also emphasized the importance of well-structured initiatives with a diverse range of partners to help Governments to raise the large sums of capital required to meet infrastructure needs. Lastly, he called for continuing global dialogue at all levels and among all actors on new paths for development finance.

32. In the ensuing discussion, participants stressed that there was a need to attract private investment into sustainable development sectors. The importance of having effective insurance coverage for foreign direct investors was mentioned, as was the need to have effective models for public-private partnerships. Curbing crime and corruption were also referred to as important conditions for attracting foreign direct investment and fostering the development of the local private sector. In that regard, one participant stated that the rule of law and efforts to combat crime should be incorporated as separate goals for the post-2015 development agenda and the sustainable development goals. At the same time, the private sector would also benefit from a coherent and predictable policy environment.

33. While noting that countries should bear primary responsibility for their own development, participants highlighted the continuing importance of official development assistance for poverty reduction. Some stressed that that assistance would not be sufficient to meet projected sustainable development needs even if donors were to meet their aid commitments. The importance of South-South cooperation for sustainable development, on the understanding that it should be voluntary and not be viewed as a substitute for official development assistance from developed countries, was also stated.

34. Some participants emphasized the importance of implementing reforms of the governance structures of the international financial institutions. In particular, they stressed that the 2010 IMF quota reforms should be implemented to ensure the credibility of IMF when it advised other countries on policy reforms. Participants

also mentioned a need to enhance the funding of international financial institutions and regional development banks.

35. There were calls for a fair and rules-based multilateral trading system and for a stable global financial system. It was stated that those and other systemic issues should be incorporated into the post-2015 agenda. There were calls for greater international cooperation on tax matters so as to curb tax evasion and illicit financial flows.

36. It was emphasized that financing for sustainable development should build on the Monterrey Consensus and the Doha Declaration. The work of the Intergovernmental Committee of Experts on Sustainable Development Financing would provide important input to the preparatory process for the third international conference on financing for development.

VI. Thematic debate on theme 3: "Global partnership for sustainable development in the context of the post-2015 development agenda"

37. The second thematic debate featured presentations by the co-facilitator of the preparations for the third international conference on financing for development, George Wilfred Talbot (Guyana), and the Deputy Director of the Development Cooperation Directorate of the Organization for Economic Cooperation and Development (OECD), Serge Tomasi.

38. Mr. Talbot began by outlining the experience of the current global partnership for development and its role in promoting the implementation of the Millennium Development Goals. The concept of a global partnership for development as a set of commitments on promoting development had a long history at the United Nations. The global partnership for development called for in Goal 8, which was underpinned by the Monterrey Consensus, had galvanized international momentum in mobilizing a wide range of stakeholders to help to achieve the Goals. Although it had made a significant contribution, the global partnership remained an item of unfinished business. Its potential in advancing the other Goals had been constrained by its own shortcomings. For example, momentum in reaching the target of allocating 0.7 per cent of gross national income to development aid had stalled in recent years. In addition, the global trading system remained complex and fragmented and the world continued to lack a comprehensive framework for resolving debt problems. In the same vein, there remained a need for greater access to affordable essential medicines to accelerate the progress being made on the achievement of the health-related Goals. Greater technology transfer and access to technologies, in particular for climate change mitigation and adaptation and disaster risk reduction and resilience, were also required. Looking ahead, he stressed that a new global partnership for development would need to tackle new challenges and integrate the economic, social and environmental dimensions of sustainable development. It would also require a strengthened and more robust monitoring mechanism in order to track progress in the implementation and fulfilment of commitments by Member States.

39. He shared his views on the potential contribution of the forthcoming third international conference on financing for development to the post-2015

development agenda, stating that a broad and comprehensive financing framework for sustainable development should build on the Monterrey Consensus and the Doha Declaration and go further in taking on new challenges and emerging issues. In that respect, the framework must also take into account the important work of the Intergovernmental Committee of Experts on Sustainable Development Financing. He emphasized the potential of the third conference to provide a firm foundation for a global partnership for sustainable development in the context of the post-2015 development agenda.

40. Mr. Tomasi spoke on the work being undertaken in the OECD Development Assistance Committee on new ways to measure development finance. He stressed that the definition of official development assistance had hardly changed since 1969, apart from being clarified and supplemented by other concepts such as country programmable aid or other official flows. At the same time, the financing for development landscape had radically altered. For example, the number of developing countries eligible to receive official development assistance had fallen sharply and some developing countries had emerged as new economic Powers, themselves providing increasing amounts of foreign aid. At the same time, sources of finance beyond official development assistance were becoming more prominent, especially foreign direct investment and remittances. In the 1970s, official development assistance had comprised more than half of all external funding of developing countries, while it currently represented only 18 per cent. That gap between rapid economic development and the relative stability of the official development assistance definition had led to growing criticism of the indicator. He introduced some of the main considerations in the continuing discussions in the Committee on the matter. One proposal envisaged a two-circle approach from an aid provider's perspective. At the core would be a modernized official development assistance measure focusing on a grant equivalent. That modernized measure would be part of a broader measure encompassing total official support for development, which could include all public development financing instruments used by countries, regardless of their degree of concessionality. It would therefore also incorporate market mechanisms such as guarantees, private equity from development banks and debt cancellations. An issue under discussion was whether that broader measure should also include private finance mobilized by official action.

41. In the ensuing discussion, several participants stressed that official development assistance was a significant source of finance for many developing countries. It was also pointed out that official development assistance should not be used solely for leveraging private capital, which in any case needed to be undertaken in a considered and balanced manner. It was also reiterated, however, that, while important, official development assistance alone would not suffice to finance sustainable development.

42. The importance of developing innovative public-private partnerships was emphasized. Participants stressed that there was a need to build capacity to enable developing countries to develop a pipeline of bankable projects. In that regard, a need to develop effective processes at the country level to better identify key projects was also mentioned. It was pointed out that the global partnership for development was a work in progress and should be strengthened. That there was a need to better incorporate the private sector and civil society into the global partnership was emphasized. With regard to the private sector, however, it was

asserted that companies should take note of human rights and poverty reduction objectives when undertaking operations. In addition, there should be an appropriate regulatory framework ensuring that activities did not adversely affect sustainable development.

43. Participants noted the absence of a suitable measure of economic vulnerability and fragility. Gross domestic product per capita did not take into account vulnerability and fragility, meaning that there was a need for a broader measure incorporating conflict, external economic challenges and natural disasters.

44. That there was a need for greater coherence in the international policymaking arena was highlighted. It was stated that multilateral organizations should work cooperatively to achieve the goal of sustainable development.

VII. Multi-stakeholder dialogue on the way forward

45. The second morning featured a multi-stakeholder dialogue on the way forward, during which the discussion of the previous day on the three themes of the meeting continued. The dialogue included presentations by the Chair of the Committee for Development Policy and Director of Economic and Political Development Concentration of the School of International and Public Affairs of Columbia University, José Antonio Ocampo Gaviria; the founder and Chief Executive Officer of Cornerstone Capital, Erika Karp; and the Director of the Rethinking Bretton Woods Project of the Center of Concern, Aldo Caliari. It was followed by an interactive discussion.

46. Mr. Ocampo presented the conclusions of a recent meeting of the Committee for Development Policy. The Committee had made two major policy recommendations: greater international cooperation on tax matters and the need for a debt workout mechanism. It had also emphasized that international tax cooperation was necessary to mobilize more public resources for sustainable development. Asymmetry between the mobility of capital and labour had generated an erosion of tax bases. Over time, the shifting of taxation towards labour incomes had generated regressive tax systems, a tendency that could be reversed only through international cooperation. One specific proposal was to upgrade the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental organ. On external debt, he pointed out that overindebtedness affected developing and developed countries alike. Existing mechanisms did not work as well as they should. Collective action clauses faced serious aggregation problems because they were not universally applied, while voluntary negotiations faced major challenges through potential litigation. In that respect, he referred to the proposal in the Monterrey Consensus to move towards a sovereign debt restructuring mechanism.

47. He then highlighted the principles proposed by the Committee for rethinking the global economic governance system: common but differentiated responsibilities and respective capabilities; subsidiarity; inclusiveness, transparency and accountability; and coherence. He called for more active use of IMF special drawing rights as an international monetary system and recommended the development of a multilayered architecture for international monetary cooperation. He emphasized the importance of regional and intraregional development banks in providing a set of powerful monetary arrangements that would support IMF. He also asserted that the

use of country groupings in the international development discourse frequently had weak analytical foundations, such as the notion of the group of fragile States. Overall, the least developed countries category, which incorporated three criteria (per capita gross domestic product at market prices, human asset and vulnerability indices), was the best, in terms of a sound analytical foundation and general legitimacy, given that it had been adopted by the General Assembly. He underscored the importance of the Development Cooperation Forum as the premier forum that could help to create synergies between development cooperation processes and explore the increasing role of multi-stakeholder partnerships. More effective accountability in development cooperation remained a major issue and better mechanisms were important in following up on the post-215 development agenda. The Forum should also promote further work on the links between development cooperation and the provision of global public goods.

48. Ms. Karp said that, from the perspective of the private sector, capitalism could deliver economic growth and sustainable development if capital markets were appropriately regulated to serve the needs of the real economy. Leveraging private sector resources was critically important for ensuring adequate financing for the implementation of the post-2015 development agenda and achieving sustainable development, given the enormous need to tackle emerging issues such as climate change, which outpaced public sector resources. Currently, the largest 1,000 companies accounted for 7.8 per cent of revenue and 8 per cent of jobs in OECD countries and possessed a large pool of funds invested in capital markets. She drew attention to technological innovations such as big data and social media that were transforming the way in which business was done. In particular, the heightened level of corporate transparency was offering new opportunities to influence business activities for the good of society. The most responsible companies were interested in contributing to socially desirable goals by investing in projects with high social returns. The key to unlocking their potential lay in finding innovative ways to incentivize them. The world was also witnessing an intergenerational transfer of an enormous amount of wealth, which was made evident by the pool of some $50 trillion in financial assets. The challenge was to find the right ways to direct the available funding to the companies whose objectives were aligned with sustainable development. That included most of the largest companies that valued corporate excellence and corporate sustainability, which presupposed, in turn, inclusiveness, transparency and collaboration. Generally speaking, there was no inherent conflict between profit and sustainable development in the long term.

49. Mr. Caliari discussed the potential for institutional investors, including pension, mutual, private equity and sovereign wealth funds, to provide financing for sustainable development. He questioned the view that global savings could simply be unlocked to underwrite long-term financing needs. For example, infrastructure had been considered to be an asset class that could generate high risk-adjusted returns, on the one hand, and helped to ensure returns by diversifying the portfolios of asset managers, on the other. Evidence for both those effects was, however, highly contested among researchers, as was the soundness of attributing uniform properties to an asset class covering a heterogeneity of sectors and instruments that could be considered infrastructure investments. He emphasized that infrastructure investment came with considerable risks that could end up being transferred to taxpayers and users of infrastructure, especially in developing countries. One channel through which that occurred would be through public-private partnerships,

which were the main mechanism for channelling private investment into infrastructure. He referred to studies that showed that a major reason why public-private partnerships were chosen as an investment modality was because they helped to conceal the budgetary and fiscal impacts of infrastructure projects. Poor governance and institutional environments, including a lack of transparency, allowed Governments and investors to avoid scrutiny, increasing the chance that risks would materialize. Indeed, public-private partnership contracts were rarely, if ever, disclosed to the public. In addition, some inherent characteristics of public-private partnerships introduced a layer of complexity that defeated efforts to advance transparency and accountability, including the fact that such partnerships were generally long-term contracts and that government risks were off budget (contingent liabilities).

50. He said that greater public indebtedness was another channel through which risk linked to infrastructure investment would be transferred to the public. The parameters that defined debt sustainability in low-income countries had been gradually relaxed, allowing those countries to contract growing levels of public debt, in particular for infrastructure. It was important to recognize that low-income countries faced an impossible choice between underinvesting in infrastructure or mobilizing the necessary funds in any way possible. Their increased levels of borrowing for infrastructure could, however, represent the seeds of a new debt crisis. The risks generated by the pursuit of debt-financed investment were, as happened with public-private partnerships, magnified in poor governance environments. In short, the reliance on institutional investments to finance infrastructure could be advised only for countries in which there were highly developed legal and institutional frameworks and systems of checks and balances that included high levels of transparency and public engagement.

51. In the ensuing discussion, participants underscored the importance of mobilizing all sources of financing for sustainable development to support the post-2015 development agenda. The upcoming third international conference on financing for development was highlighted as a unique opportunity to engage all stakeholders for that objective. In that context, participants called upon one another to avoid duplication of efforts among intergovernmental processes and to support a robust and open preparatory process involving all relevant stakeholders.

52. The view was expressed that the success of the post-2015 development agenda would largely depend on ensuring increased official development assistance for vulnerable countries to assist them in reducing poverty and tackling new challenges, such as climate change. Such an agenda should also include commitments relating to trade, foreign direct investment and technology transfer to help developing countries to eradicate poverty.

53. Moreover, participants underscored the need for an international sovereign debt resolution mechanism. It was suggested that such a mechanism could be negotiated within IMF, but would function independently, similar to an investment dispute resolution system. The mechanism would allow time-limited voluntary negotiations, followed by mandatory arbitration. Some participants stressed the importance of further debt relief beyond the Heavily Indebted Poor Countries Initiative, especially for countries suffering the consequences of conflicts and natural disasters or those lagging behind in efforts to achieve the Millennium Development Goals. They emphasized the importance of honouring existing official

development assistance commitments, which continued to account for 70 per cent of the external financing for least developed countries.

54. Some participants called for more effective monitoring of official development assistance commitments and expressed opposition to any downward revision. Several highlighted the importance of not politicizing aid, emphasizing that unilateral sanctions would impede progress towards achieving the Millennium Development Goals.

55. Some participants from the business sector and civil society expressed concern about the lack of social protection, human rights abuses and wasteful military expenditure in many countries. They criticized government bail-outs of financial institutions that were deemed too big to fail. Some participants emphasized that, while partnerships between the private and public sectors were highly desirable, their success depended on good governance and proper and effective institutional arrangements.

56. Participants highlighted the need to improve global governance structures to prevent tax evasion and transfer mispricing and to ensure that international trade agreements did not prevent the regulation of cross-border capital flows for prudential reasons. One put forward the idea of introducing a global minimal floor for corporate tax rates.

VIII. Concluding remarks by the President of the Economic and Social Council

57. The President of the Economic and Social Council expressed thanks to all participants for the positive spirit of engagement and the high quality of their contributions. He noted that the deliberations on the state and prospects of the world economy had highlighted that there was a need for greater cooperation and coherence in macroeconomic policies. Moreover, the deliberations had highlighted that the mobilization of resources for sustainable development would depend on strengthened international cooperation anchored in a coherent financing framework for sustainable development. He echoed the calls made for a renewed and strengthened global partnership for sustainable development to mobilize a wide range of stakeholders in support of the post-2015 agenda. He expressed the view that, in the light of the recently adopted reforms of the Council, a strengthened Council would be able to play an effective coordinating role and meaningfully support the implementation of the post-2015 development agenda.

58. He summarized the main features of the discussions, noting, among other things:

(a) That the need for a stable and prosperous global economy for achieving sustainable development had been highlighted. Discussions in the ministerial segment on the world economic situation and prospects had confirmed that a recovery from the global economic and financial crisis was under way, albeit uneven between countries. In particular, it had been noted that, while advanced economies were back on the recovery track, emerging markets were under significant pressure. In addition to long-term structural factors, cyclical factors were at play, including through possible adaptions to monetary policies in the United States;

(b) That participants had identified the period of easy finance after 2008 as being at the root of problems in emerging markets. Expansionary policies had taken advantage of capital outflows of developed countries, leading to credit booms and asset price increases. At the same time, the impetus for reform had diminished and current accounts had deteriorated, making those economies vulnerable to capital outflows;

(c) That it had been noted that, to address those concerns, strengthened multilateralism would be needed. The Economic and Social Council had been seen by many as a platform to provide such improved cooperation;

(d) That participants had also cautioned that, improved global growth notwithstanding, the global employment situation remained bleak and inequalities continued to grow, although there were also some signs of improvement;

(e) That, during the thematic debate on mobilization of financial resources and their effective use for sustainable development, the importance of the work of the Intergovernmental Committee of Experts on Sustainable Development Financing had been highlighted;

(f) That several participants had emphasized the importance of building on the Monterrey Consensus and the Doha Declaration as a conceptual basis for an updated financing framework for the post-2015 agenda. Many had emphasized the importance of employing the full range of financing sources and non-financial means available, including private and public, domestic and international, while taking into consideration their different characteristics, rationales and specific strengths;

(g) That participants had agreed that official development assistance would remain important, in particular for the least developed countries. All had welcomed the recent rise in official development assistance, which had followed a two-year-long downward trend. It had been stressed, however, that more progress would be needed to meet the 0.7 per cent target;

(h) That some participants had pointed to the uncertainties that could emanate from the current tensions between Ukraine and the Russian Federation, with considerable capital outflows — also from the latter — and currency depreciations in recent weeks;

(i) That there had been calls for governance reforms at the global level, for a fair and rules-based multilateral trading system and for a stable global financial system. There had also been calls for greater international cooperation on tax matters to curb tax evasion and illicit financial flows;

(j) That many participants had also highlighted the great potential of private sector financing to contribute to sustainable development. Public policies would, however, need to set the right incentives to support private sector investment in sustainable development In that regard, the rule of law, good governance and transparent institutions played a crucial role. The importance of private public partnerships, based on coherent policies at all levels and sufficient policy space, had been emphasized;

(k) That, in the second thematic debate on a global partnership for sustainable development in the context of post-2015 agenda, participants had highlighted that the agenda would need to be based on a renewed and strengthened

global partnership for development. Such a partnership would need to contain strong monitoring and accountability mechanisms;

(l) That the upcoming third international conference on financing for development had been highlighted as an important occasion to provide the new global partnership with a holistic and comprehensive financing framework;

(m) That many participants had stressed that global economic governance and the voice and representation of developing countries in economic decision-making bodies would need to be improved as a matter of urgency;

(n) That, during the multi-stakeholder dialogue on the way forward, participants had reiterated many of the themes touched upon in the earlier sessions and focused on the way forward. Specific proposals had included a sovereign debt restructuring mechanism, improved international tax cooperation to address tax avoidance and more extensive use of special drawing rights. The potential of the private sector to provide long-term investments in areas critical for sustainable development had been highlighted, while there had also been calls for strong institutional frameworks and transparency in the engagement of public with private actors.

59. He pointed out that the record of the Millennium Development Goals was generally a good one, but more must be achieved. To that end, the international community must mobilize a set of dynamic multi-stakeholder partnerships to achieve its common goals, with strengthened intergovernmental cooperation at the centre. The post-2015 agenda should define the critical elements of such a collaborative approach. He expressed hope for continued support and cooperation from all parties in order to move towards an ambitious post-2015 development agenda that would enable the international community to achieve sustainable development for all.

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Letter dated 8 May 2014 from the Permanent Representative of Georgia to the United Nations addressed to the President of the Economic and Social Council

I have the honour to transmit the national report of Georgia on progress towards the achievement of the internationally agreed goals, including the Millennium Development Goals (see annex), for the annual ministerial review to be held during the high-level segment of the substantive session of 2014 of the Economic and Social Council.

I would be grateful for your kind assistance in circulating the present letter and its annex as a document of the Council, under item 5 (c) of the provisional agenda.

(*Signed*) Kaha **Imnadze**
Ambassador
Permanent Representative

* E/2014/1/Rev.1, annex II.

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Annex to the letter dated 8 May 2014 from the Permanent Representative of Georgia to the United Nations addressed to the President of the Economic and Social Council

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I. Review of the status of implementation of the Millennium Development Goals in Georgia

Basic country information

1. Georgia is a country covering around 70,000 km^2, lying on the southern foothills of the Greater Caucasus mountain range, and on the south-eastern shores of the Black Sea. It is bordered by the Russian Federation to the north, Turkey to the south-west, Armenia to the south and Azerbaijan to the south-east. Georgia has a population of 4.5 million (as of 2013, see also table 1), the country has long been ethnically heterogeneous and 54 per cent of the population lives in urban areas.

2. Georgia is a lower-middle-income country, according to the classification by the World Bank. Over the past 20 years the country has achieved significant economic growth with gross domestic product (GDP) per capita rising from $690 in 2000 to $3,597 in 2013. Poverty indicators decreased in parallel with economic progress, though unemployment remains relatively high, at 15 per cent as of 2012.

Table 1
Basic demographic data

	2013	
	Number	*Rate per thousand*
Live births	57 878	12.9
Natural population growth	9 325	2.1
Deaths	48 553	10.8
Migration dynamics	-2 606	-0.6

Source: National Statistics Office of Georgia (GeoStat).

Commitments to human development

3. Since its independence in 1991, Georgia has ratified core international instruments for human rights, including the Convention on the Rights of the Child, the Convention on the Elimination of All Forms of Discrimination against Women, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, and the Universal Declaration of Human Rights.

4. In 2000, alongside the adoption by the General Assembly of the United Nations Millennium Declaration (General Assembly resolution 55/2), Georgia made a commitment to integrate the Millennium Development Goals within its national development strategies and plans and to periodically report on the status of implementation of the Goals.

5. In 2014, the country developed an integrated, multisectoral strategy for human rights that defines the overarching framework of action for the Government and main stakeholders as to how to enhance the protection and promotion of human rights, including the provisions envisaged by the Goals.

6. In 2013, the Government of Georgia launched its flagship programme on universal health care, which ensures that every citizen of Georgia has access to a

basic package of outpatient, inpatient and emergency health services. Stemming from General Assembly resolution 67/81, with its focus on universal health coverage, and the World Bank's global vision of universal health coverage by 2030, the programme has been another visible demonstration of Georgia's commitment to health-related Goals and the broader human development agenda. International partners, including the World Health Organization (WHO), the World Bank and the United States Agency for International Development (USAID) have been actively engaged in supporting the country in successful implementation of the national universal health care endeavour.

7. Section II of the present report provides an overview of the status of implementation of the Millennium Development Goals in Georgia, along with the relevant policies put in place as of April 2013.

II. Status of implementation of the Goals and related policies

Goal 1. Eradicate extreme poverty and hunger

Targets

1. Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day, measured through trends in relative and extreme poverty rates.

2. Achieve full and productive employment and decent work for all, including women and young people.

3. Halve, between 1990 and 2015, the proportion of people who suffer from hunger, measured through the prevalence of among children under the age of 5 who are underweight.

8. Georgia has enjoyed impressive economic growth since the early years of its transition to independence, owing largely to a wide range of reforms. GDP per capita has increased from $690 in 2000 to $3,597 in 2013. Positive trends in economic development were challenged by the war with Russia in August 2008 and the world economic crisis, although the negative trends started to reverse in 2010. Georgia's economy grew by 3.2 per cent in 2013.

9. Economic growth was paralleled by progress in poverty reduction. The level of extreme poverty (a level of income set at 40% of the median household income) decreased from 10.9 per cent in 2004 to 9.3 per cent in 2012, while relative poverty (a level of income set at 60% of the median household income) decreased from 24 per cent in 2004 to 22.4 per cent in 2012.

10. The introduction and continued expansion of social protection schemes provided a safety net for the most socially vulnerable population groups, including families living in poverty, old-age pensioners and people with disabilities. In 2013, old-age pensions and social allowances were increased from 2012 baselines by 50 per cent and 100 per cent, respectively. Overall, the social allowance for old-age pensioners increased 10.7 times, from GEL 14 in 2000 to GEL 14 in 2013.

11. Despite such progress, however, poverty rates were not significantly reduced and both the incidence and severity of poverty remain of great concern to the country. According to a 2012 welfare monitoring survey by the United Nations

Children's Fund (UNICEF), 77,000 children under the age of 16 live on less than $1.25 per day and more than 200,000 (one quarter of the total child population) consume less than 60 per cent of median consumption, which is approximately $2 per day. Data from a 2013 survey supported by UNICEF revealed a declining trend in extreme poverty among children, from 9.4 per cent in 2011 to 6 per cent in 2013. Children have indirectly benefited from doubled social allowances and increased old-age pensions, however 27 per cent of children continue to live below 60 per cent of the median household income.

12. Unemployment remains high at 15 per cent as of 2012, with estimated youth unemployment exceeding 30 per cent (see table 2). More than 70 per cent of the population regard themselves as unemployed, as reported by the National Democratic Institute, according to a public opinion survey from 2012. Furthermore, 70 per cent of the population remains economically or socially vulnerable according to a study by the United Nations Development Programme (UNDP) from 2012.

13. The Government of Georgia is developing new strategies and economic reforms to promote sustainable economic growth for the 2014-2020 cycle. The social and economic development programme focuses on encouraging private sector development and promoting professional education and local self-governance reforms.

Table 2
Employment trends, Georgia, 2000-2012

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
Youth employment rate, ages 15-24, both sexes	21.2	20.1	27.9	24.6	28.3	28.3	29.3	31.5	35.5	38.7	36.3	35.6	–
Employment-to-population ratio, both sexes, percentage	60.11	58.8	56.8	58.4	56.6	55.2	53.8	54.9	52.3	52.9	53.8	55.4	56.8
Employment-to-population ratio, men, percentage	67.3	67.1	65.1	67.4	64.2	62.6	61.2	63.1	61.1	61.1	61.2	63.7	65.6
Employment-to-population ratio, women, percentage	54.0	52.0	49.9	50.9	50.2	48.8	47.7	48.1	44.9	45.9	47.5	48.5	49.5

Source: National Statistics Office of Georgia.

14. The prevalence of children under the age of 5 who are underweight remains low. According to the multiple indicator cluster survey (2005), 2.1 per cent of children under the age of 5 were moderately underweight and the share of extremely underweight children was 0.3 per cent (see table 3). Similar results were confirmed by the national nutrition survey of 2009. Even if the prevalence is low, the 2012 survey by UNICEF revealed a high prevalence of micronutrient deficiency among pregnant women and children that the Government started to address in 2014 through targeted micronutrient supplementation programmes and regulations.

Table 3
Prevalence of children under the age of 5 who are underweight, Georgia, 2009

	Severely underweight	*Moderately underweight*	*None (normal)*
Total	**14 (0.5%)**	**25 (0.6%)**	**2 981 (98.8%)**
Male	7 (0.4%)	19 (0.9%)	1 599 (98.7%)
Female	7 (0.6%)	6 (0.4%)	1 382 (99.0%)
By region			
Tbilisi	3 (0.8%)	1 (0.3%)	360 (98.8%)
Ajara and Guria	2 (0.6%)	1 (0.3%)	337 (99.1%)
Imereti and Racha-Lechkhumi	1 (0.5%)	2 (1.0%)	204 (98.6%)
Kakheti	2 (0.7%)	1 (0.3%)	304 (99.0%)
Kvemo Kartli	2 (0.3%)	8 (1.1%)	751 (98.7%)
Samegrelo	1 (0.4%)	3 (1.1%)	272 (98.6%)
Samtskhe-Javakheti	3 (0.6%)	8 (1.6%)	490 (97.8%)
Shida Kartli and Mtskheta-Mtianeti	0	1 (0.4%)	263 (99.6%)

Source: National nutrition survey, 2009.

Goal 2. Achieve universal primary education

Target

Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

15. Georgia has a strong tradition of education, with almost universal primary school enrolment rates across the country. The country has maintained high levels of primary school enrolment (96%-100%) since 2000, with a gender parity index of 1.03 as of 2011.

16. In 2005, the Ministry of Education and Science introduced inclusive education and the concept of inclusive schools. As of the time of reporting, all schools in Georgia are providing inclusive education with special attention given to an individual approach and an individual, student-centred curriculum. The inclusive education concept has raised accessibility at all stages of the general education system. The system is in the process of improving the quality of inclusive education in Georgia.

17. However, the quality of the education system has been a concern. According to the Trends in International Mathematics and Science Study (2011), Georgian eighth grade students ranked 26 out of 28 participating European countries in mathematics and science. Furthermore, according to the Ministry of Education and Science, 2,388 students dropped out during the school year 2009-2010 and there is a need for more and better data on out-of-school children and children at risk of dropping out.

18. The ongoing education reform process is primarily focused on improving the quality of education and ensuring accessible and affordable education at different levels. Georgia joined the Bologna Process at the summit held in Bergen, in 2005, and the Ministry of Education and Science of Georgia initiated regulatory

amendments to facilitate the introduction of the Bologna principles in the higher education system.

19. Georgia is actively working on comprehensive reform of vocational education and training. Entities of the United Nations system, including UNDP and the International Labour Organization (ILO), as well as the European Union, have been assisting the country in the design and implementation of the systemic reforms for 2013-2020 to close the existing imbalance between education system supply and labour market demand.

Goal 3. Promote gender equality and the empowerment of women

Target

Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

20. Even during the critical socioeconomic transition of the early 1990s, the country substantially advanced its gender equality agenda, with progressive implementation of commitments laid out by the Convention on the Elimination of All Forms of Discrimination against Women.

21. As noted above, gender equality in education has not been a developmental challenge in the country. Georgia has maintained close to universal primary school enrolment both for girls and boys, with the latest data on gender parity index in primary, secondary and tertiary education standing at 1.03, 0.95 and 1.2, respectively. Education resource centres countrywide report 1.4 female-to-male ratio among public school principals, and 4 out of 5 school teachers in Georgia are women.

22. The country has made important progress in securing the education rights of children in socially disadvantaged families. However, female students from ethnic minority groups remain at a higher risk of dropping out. A recent study by the Millennium Challenge Corporation also revealed barriers to the equal participation of girls in science, technology, engineering and mathematics (STEM) education programmes. In this respect the Government plans to intensify work on the protection and promotion of women's rights in education and science. The Ministry of Education and Science is working with the United States Civilian Research and Development Foundation (CRDF Global) and local scientific foundations to promote talented female doctoral students and facilitate women's participation in scientific research.

23. In March 2010 Georgia adopted a law on gender equality and established a Parliamentary Council on Gender Equality. Since 2010, the Council has completed two biennial cycles of a strategic planning exercise for gender mainstreaming. Within the framework of the 2010-2013 National Action Plan, the Ministry of Education, in partnership with civil society, provided gender equality training to school teachers countrywide. The 2014-2016 National Action Plan envisages public awareness-raising on gender equality, mainstreaming gender aspects in education laws and promoting gender equality in education programmes relating to science, technology, engineering and mathematics and vocational institutions.

24. In 2012 Georgia surpassed the threshold level of 10 per cent as regards the representation of women in Parliament, from a 5 per cent baseline in 2000. Women

hold key ministerial portfolios in justice, education, foreign affairs and environmental protection and lead the National Security Council and the Central Election Committee. The economic empowerment of women has been also visible since the 1990s, with 30 per cent of women being primary breadwinners and 20 per cent heading business enterprises.

25. Despite the progress, women are still underrepresented at decision-making levels and their economic empowerment has to be further improved. According to the Gender Inequality Index, Georgia is placed 71 of the 137 countries surveyed. In 2012, the average nominal monthly salary of women in all fields of the economy and across industry sectors was 60 per cent of that of men.

26. A breakthrough in gender equality will only be possible as a result of the strong and coherent efforts of all stakeholders, including the Government, civil society and development partners.

Goal 4. Reduce child mortality

Target

Reduce by two thirds, between 1990 and 2015, the mortality rate of children under the age of 5.

27. According to official statistics from the National Statistics Office of Georgia, Georgia has substantially reduced the mortality rate of children under the age of 5, from 24.9 in 2000 to 13.0 in 2013, per 1,000 live births. A similar declining trend has been reported by the administrative health statistics unit of the National Centre for Disease Control and Public Health, with the mortality rate of children under the age of 5 decreasing from 27.2 in 2000 to 12.4 in 2012, per 1,000 live births.

28. Even if the discrepancy in data is high between the routine statistics and the reproductive health survey, significant progress concerning the reduction in the mortality rate among children under the age of 5 is evident and all data sources confirm the declining trend in child mortality (see table 4).

Table 4
Mortality rate of children under the age of 5; comparative data from official statistics, health statistics and household surveys (per 1,000 live births)

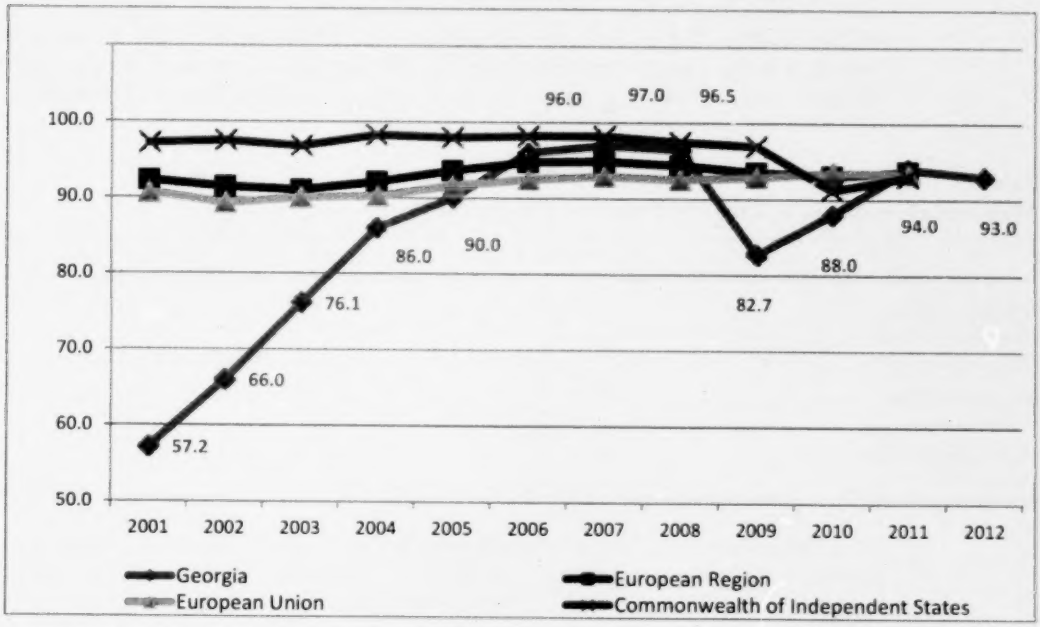
	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Health statistics	27.2	26.7	22.1	20.3	20.1	19.4	19.7	15.6	16.0	15.4	13.4	12.0	12.4	–
Official statistics (National Statistics Office of Georgia)	24.9	25.5	26.0	27.6	26.4	21.1	16.9	14.4	18.0	16.0	13.0	13.8	14.4	13.0
Reproductive health survey	45.8	–	–	–	–	25.1	–	–	–	–	16.4	–	–	–

29. After the disruption of routine vaccination services in the early 1990s, Georgia successfully restored and expanded the coverage of the national immunization programme. Since 2000 the country has maintained over 90 per cent coverage for the first measles-containing vaccine, reporting 93 per cent coverage by the end of 2012 (see figure I) and has further improved coverage to 96.5 per cent in 2013. The data is close to the European Union and the European region averages, although

further investment is needed for sustaining over 95 per cent coverage for the first dose of the vaccine and high coverage for the second dose of the vaccine. The latter is particularly important considering the measles and rubella elimination goal set by the States members of the World Health Organization European region for 2015.

Figure I

Percentage of 12 month-old children vaccinated against measles, 2001-2012



Source: National Centre for Disease Control and Public Health of Georgia and World Health Organization European Health for All Database.

30. Despite the documented progress, the rate of child mortality in Georgia is still the second highest in Europe. Child mortality is mainly attributed to infant mortality (87.5%), a situation which has not changed much since 2000 when the infant mortality rate fraction of the mortality rate for children under the age of 5 was 90 per cent. Furthermore, the 2010 reproductive health survey indicated significant differences in child mortality rates between urban and rural areas. The 2013 equity analyses by UNICEF of the excessive infant death rate in Georgia suggests that (a) infants outside Tbilisi were 1.4 times more likely to die than infants in Tbilisi, and (b) infants born outside Tbilisi weighing 1,500 grams or more were 1.9 times more likely to die than infants in Tbilisi before being discharged from maternity wards and 1.5 times more likely during the period after having been discharged.

Goal 5. Improve maternal health

Targets

1. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

2. Achieve, by 2015, universal access to reproductive health.

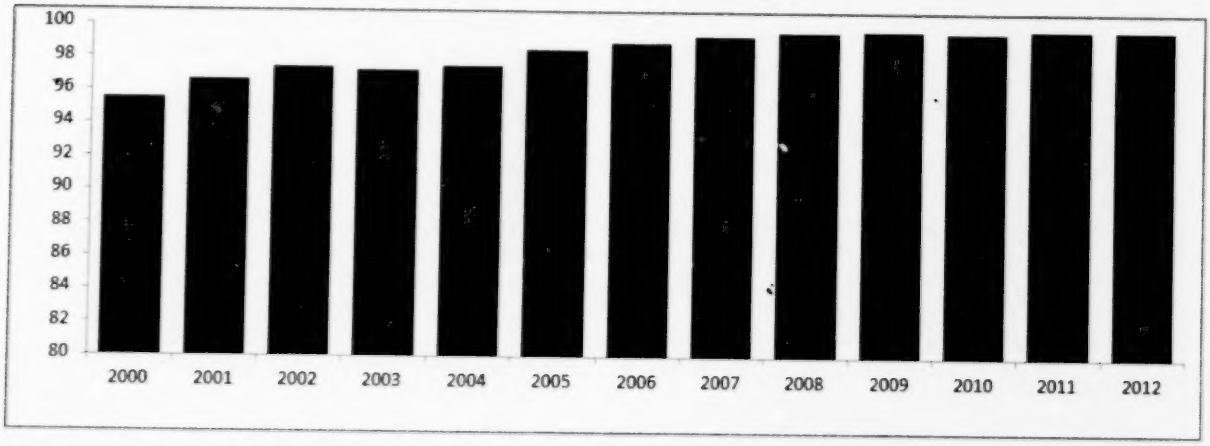
31. Georgia has reduced the maternal mortality rate by more than half, from 49.2 in 2000 to 22.9 in 2012, per 100,000 live births (see table 5). The 54 per cent reduction in the maternal mortality rate has been significant, however attainment of the three quarter reduction target for 2015, set out in the Millennium Declaration, will most probably be missed.

Table 5
Maternal mortality rate, 2000-2012 (per 100,000 live births)

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
Official statistics (National Statistics Office of Georgia)	49.2	58.7	42.2	49.9	43.1	23.4	23.0	20.2	14.3	52.1	19.4	27.6	22.9
Reproductive age mortality study	–	–	–	–	–	–	44.0	–	–	–	–	–	–
Maternal mortality survey, 2011	–	–	–	–	–	–	–	–	–	–	20.6	–	–

32. The proportion of births attended by skilled medical personnel, which was already high at the time of adoption of the Millennium Declaration, was further increased, from 97.4 per cent in 2002 to 99.8 per cent in 2012 (see figure II and table 6).

Figure II
Proportion of births attended by skilled medical personnel (percentage)



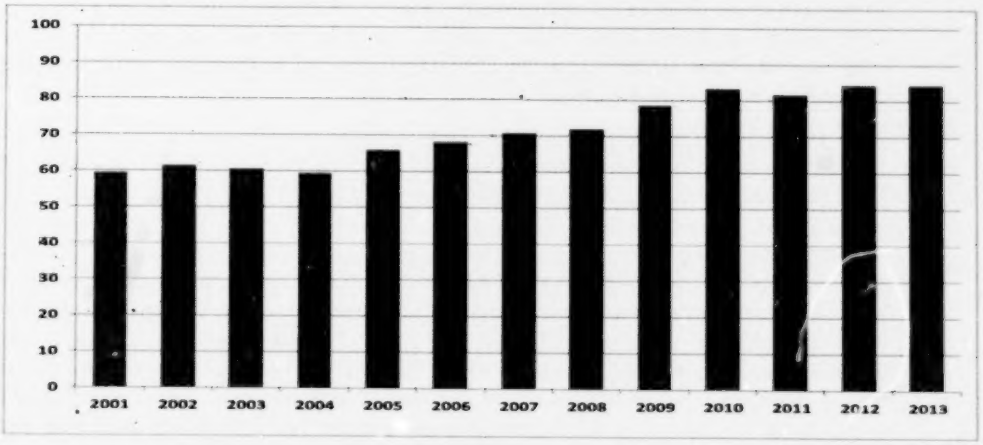
Source: National Centre for Disease Control and Public Health.

Table 6
Proportion of births attended by skilled medical personnel (percentage)

	1995-1999	*2000-2004*	*2005-2009*	*2012*
Health statistics	95.8	96.9	99.2	99.8
Reproductive health survey	92.2	92.5	98.8	–
Multiple indicator cluster survey	–	–	93.8	–

33. The number of pregnant women receiving the recommended four antenatal care visits has also been on the rise and totalled 84.2 per cent in 2013, compared with a baseline below 60 per cent baseline in 2001 (see figure III). The multiple indicator cluster survey, 2005, reported 97.4 per cent of pregnant women having visited antenatal care institutions at least once. The high rate of uptake concerning the recommended four antenatal care visits was confirmed by the reproductive health survey (98.8% in 2005-2009). Improved access to reproductive health-care services since 1999 has benefited women, especially those living in rural areas and those from groups with less access to education. The percentage of pregnant women with no access to antenatal care in the two groups fell, from 14 per cent and 30 per cent to 3 per cent and 6 per cent, respectively.

Figure III
Percentage of women receiving at least four antenatal care visits



Source: National Centre for Disease Control and Public Health.

34. Data on reproductive health-care services (apart from maternal and child health statistics) are mainly derived from household surveys. According to three reproductive health surveys conducted in the period from 2000 to 2010, total induced abortion rates have decreased from 3.7 to 1.6 (per woman), with a parallel increase in the prevalence rate of contraceptives (all methods) from 25 per cent to 32 per cent among all women of reproductive age (including from 41% to 54% among married women). The increase in contraceptive prevalence was attributed mainly to the increase in the use of modern contraceptive methods (from 20% in 2000 to 35% in 2010 among married women). The data from those surveys also

documented the reduction in the unmet need for family planning — for modern methods of family planning, the unmet need decreased from 27 per cent to 18 per cent (see table 7). This decrease could be attributed to partnership initiatives supported by USAID and the United Nations Population Fund (UNFPA) for ensuring access, free of charge, to modern family planning methods as well as the availability of socially marketed family planning products, the expansion of private sector partnerships and nationwide training of reproductive health-care service providers.

Table 7
Unmet needs for modern methods of family planning (percentage)

	2000	*2005*	*2010*
Women aged 15-44	27	22	18

Source: Reproductive health survey.

35. In order to further contribute to increased access to quality reproductive health-care services and address one of the main causes of mortality and morbidity of women of reproductive age, the Government, in partnership with UNFPA, has launched breast cancer and cervical cancer screening programmes, which provide services to women of the target age group, free of charge, in all regions of Georgia. At present, joint efforts are under way to plan and pilot the cervical cancer screening programme in order to ensure an increased participation rate and improved quality of the screening programme. Additionally, over 1,400 primary health-care providers were trained in breast cancer and cervical cancer prevention and early detection, with support from UNFPA and the USAID project for sustaining family planning and maternal and child Health services (SUSTAIN).

36. Despite the visible progress, 16 mothers died in 2013 owing to pregnancy-related causes, according to data reconciled from the National Statistics Office of Georgia and the National Centre for Disease Control and Public Health. The Ministry of Labour, Health and Social Affairs has intensified work for the enhancement of reproductive health statistics in partnership with United Nations entities (UNICEF and UNFPA), USAID and other international partners, with a particular focus on timely reporting and ascertainment of pregnancy-related deaths. With the technical assistance of the USAID SUSTAIN project, JSI Research and Training Institute, in collaboration with the National Centre for Disease Control and Public Health is conducting the 2014 reproductive age mortality study, with the aim of studying the mortality of women of reproductive age and of investigating the extent and causes of maternal mortality in Georgia.

Goal 6. Combat HIV/AIDS, malaria and other diseases

Targets

1. Halt and begin to reverse, by 2015, the spread of HIV/AIDS.

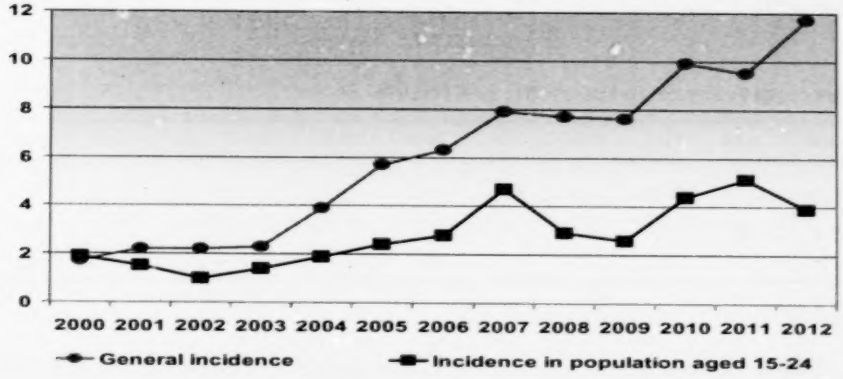
2. Achieve universal access to treatment for HIV/AIDS for all those who need it.

3. Halt and begin to reverse, by 2015, the incidence of malaria and other major diseases.

37. Georgia was one of the first countries in Central and Eastern Europe and the Commonwealth of Independent States region to attain universal access to antiretroviral treatment in 2004 and that status has been maintained over the past 10 years. This has translated into substantial improvement in the rate of survival and in quality of life for people living with HIV in the country.

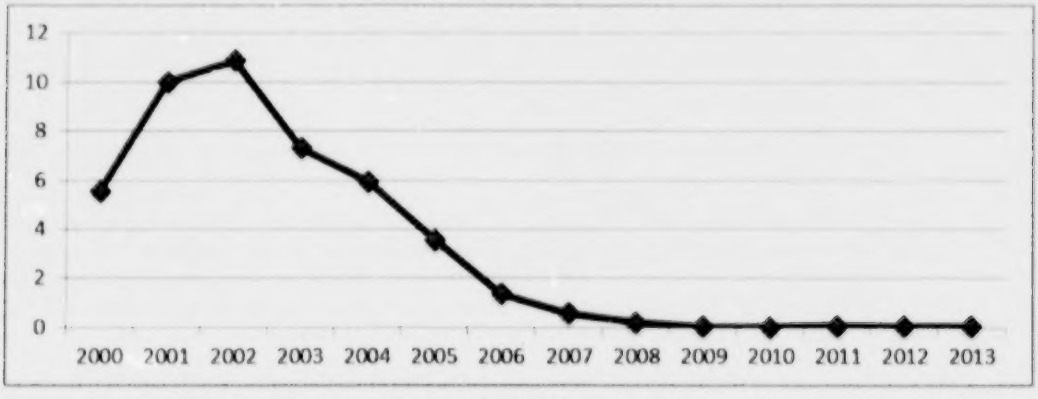
38. However the country still faces challenges in this regard, with a concentrated epidemic among high-risk behaviour groups, with a rise in HIV prevalence among men who have sex with men (from 3% to 13%) and over 5 per cent prevalence among people who inject drugs in some of the cities in western Georgia. The number of new HIV infections among young people aged between 15 and 24 also increased, from 2009 to 2011. In 2012, this indicator decreased by 23.5 per cent (see figure IV).

Figure IV
Incidence of HIV per 100,000 population



39. The country has made significant progress towards the elimination of malaria. Georgia documented a reduction in the incidence of malaria, from 5.5 per 100,000 people in 2002 to 0.02 per 100,000 in 2013 (see figure V) and reported no autochthonous malaria case in 2013. As a signatory of the Tashkent Declaration entitled "The Move from Malaria Control to Elimination", in 2005, Georgia is in the phase of preventing the reintroduction of malaria. In 2011 the country requested WHO certification as malaria-free.

Figure V
Incidence of malaria per 100,000 population



Source: National Centre for Disease Control and Public Health.

40. Georgia has also made significant progress in confronting the tuberculosis epidemic. The country has attained universal access to tuberculosis diagnosis and treatment since 2003, including multi-drug-resistant tuberculosis control interventions since 2008. According to WHO estimations, the overall incidence of tuberculosis and related mortality and prevalence rates in Georgia have been falling since 2000. New cases of tuberculosis per 100,000 population decreased from 96.5 in 2000 to 84.1 in 2012 and the prevalence in the same period fell from 133.4 to 110.7 (see table 8).

Table 8
Tuberculosis incidence, prevalence and mortality per 100,000

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
Incidence	96.5	86.4	96.5	92.8	94.8	98.1	96.9	95.0	94.7	101.4	98.6	101.4	84.1
Prevalence	133.4	128.8	145.2	143.4	149.7	153.2	143.1	147.0	133.0	135.9	130.4	123.4	110.7
Mortality	–	–	3.1	3.5	4.3	5.3	5.4	5.9	5.2	4.6	4.1	3.5	3.9

Source: National Centre for Disease Control and Public Health.

41. Despite such progress, the country is challenged by a high burden of multi-drug-resistant tuberculosis, which greatly complicates Georgia's tuberculosis epidemic, since this type of the disease requires nearly two years of treatment with more toxic, more expensive and less effective medicines. Georgia is among the 27 countries with the highest burden of multi-drug-resistant tuberculosis in the world.

42. Through support from WHO, Georgia conducted the first-line anti-tuberculosis drug resistance survey in 2004-2006. The survey revealed multi-drug-resistant tuberculosis in 6.8 per cent of smear-positive new cases and 27.4 per cent of retreated cases. In 2011, the multi-drug-resistant form of tuberculosis was found in 10.9 per cent of new cases and in 31.7 per cent of retreated cases. Tuberculosis remains a particularly severe problem within the penitentiary system.

Goal 7. Ensure environmental sustainability

Targets

1. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.

2. Reduce biodiversity loss, achieving by 2010 a significant reduction in the rate of loss.

3. Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation.

43. The Government of Georgia adopted the strategy and action plan on biodiversity preservation in its resolution No. 27 of 19 February 2004. The strategy covers the preservation of biodiversity over a period of 10 years, while the action plan is designed for a 5-year term. The elaboration of forestry policy and strategy started in 2005.

44. According to the multiple indicator cluster survey (2005), 94.2 per cent of the population used an improved drinking water source, with 78.9 per cent of households having drinking water piped into their dwelling and 17.3 per cent of the population needed less than 30 minutes to bring water to their home. According to the reproductive health survey, the proportion of the population to whom piped water, which properly meets hygienic rules, is available has not essentially changed in the period from 2000 to 2009. For the urban population, compared to the rural population, the indicator is increased by 30 per cent (see table 9). According to the multiple indicator cluster survey (2005), the vast majority of the Georgian population (96.8%) lived in households with improved sanitation facilities and 56.3 per cent of children under the age of 2 had access to toilets that followed proper hygienic rules. Furthermore, the reproductive health survey revealed a 3.7 per cent increase in the availability of flush toilets in households between 1995 and 2009.

Table 9
Availability of piped water (percentage)

	2000-2004	*2005-2009*
Reproductive health survey		
Urban	96.1	96.8
Rural	66.2	65.8
Multiple indicator cluster survey		
Total		94.2

45. Despite its rich water deposits, Georgia is still experiencing difficulties in supplying the population with safe drinking water in rural areas. Underground water deposits remain the main source of drinking water, providing 90 per cent of the water supply system. Currently 84 per cent of the urban population and 15.7 per cent of the rural population is centrally supplied with drinking water.

46. In recent years Georgia increasingly experienced the effects of climate change. The third national communication to the United Nations Framework Convention on

Climate Change will include the updated greenhouse gas inventory and will discuss the ways of minimizing emissions in the main cities of Georgia. It will also assist the Government in better analysing climate change risks and developing realistic scenarios for reducing their negative impact.

47. Georgia is developing strategies and action plans for increasing the national potential to effectively implement the requirements of global conventions on climate change, including biodiversity conservation, the fight against desertification, the elaboration of a national plan on implementation of the Stockholm Convention on Persistent Organic Pollutants, and the Kura-Aras basin preservation and integrated management plan.

Goal 8. Promote global partnership

Targets

1. Develop further an open, rules-based, predictable, non-discriminatory trading and financial system.

2. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.

3. In cooperation with the private sector, make available benefits of new technologies, especially information and communications technologies.

48. Georgia has one of the most liberal and competitive trade regimes in the world. There are no non-tariff barriers (prohibitions, restrictions, tariff quotas, licensing) in Georgian legislation except those cases where health, security, safety and environmental issues are concerned. Since 2006, Georgia abolished import duties on almost 85 per cent of goods and reduced the number of import duties from 16 to only 3 (0%, 5% and 12%).

49. After joining the World Trade Organization (WTO) in June 2000, Georgia started to harmonize its customs regimes with the commitments negotiated with WTO. Georgia's joining WTO resulted in the abolishment of the Jackson-Vanik amendment, in respect of Georgia, by the United States of America and, furthermore, granted the country most-favoured-nation status. Later, the country was granted the Generalized System of Preferences beneficiary status by Canada, Japan, Norway, Switzerland and the United States.

50. The European Union expanded the Generalized System of Preferences beneficiary status of Georgia, granted in 1995, to GSP+, which entitles more than 7,200 types of products of Georgian origin to enter the European Union market with zero customs tariff. In 2013, after the lifting by the Russian Federation of the embargo on agricultural products, such export products as wine, mineral waters and citrus have reentered the Russian market.

51. Georgia has free trade agreements with countries in the Commonwealth of Independent States and with Turkey. In November 2013, the European Union-Georgia Association Agreement, including a Deep and Comprehensive Free Trade Agreement, was initialled. It is expected to be signed by June 2014.

52. In April 2011, Georgia became the 135th country to officially adhere to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

53. With regard to the affordability of essential drugs, Georgia has been using the global procurement mechanisms for vaccines and biologicals as well as HIV and tuberculosis drugs through cooperation with UNICEF, the GAVI Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria. The country is working on maintaining access to the affordable prices after graduation from support by GAVI and the Global Fund in 2016. Furthermore, in 2014, Georgia made significant progress in the affordability of hepatitis C treatment, with a 60 per cent reduction of the price of PEG-IFN treatment in the local market for 11,000 beneficiaries.

54. Publicly funded health-care programmes to tackle such concerns as diabetes, dialysis and immunization universally cover the relevant medications and biologicals for patients. Universal health care and State-run health insurance programmes also cover priority medications for specific groups of beneficiaries as well as medications necessary for emergency care, elective surgery and cancer treatment. Recognizing the high prevalence of hypertension in the country, the Ministry of Labour, Health and Social Affairs works on policy options developed with the USAID Health Care Improvement project to support improved financial access to chronic disease medications.

55. The country has also documented substantial progress in access to and uptake of modern information and communications technologies. Mobile cellular subscription stands at 107.81 per 100 inhabitants in 2012, from as low as 10.90 in 2002. As of 2012, 45.5 out of 100 inhabitants are Internet users, an increase from fewer than 1.59 in 100 using the Internet in 2002.

III. Progress and remaining challenges vis-à-vis health-related Goals

56. The country has attained a number of historic gains vis-à-vis health related Millennium Development Goals, including decreases in the maternal mortality rate from 49.2 in 2000 to 22.9 by 2012 (per 100,000 live births); a reduction of the infant mortality rate from 22.5 to 11.1 (per 1,000 live births) (according to GeoStat) and in the mortality rate of children under the age of 5, from 24.9 in 2000 to 13.0 as of 2013 (per 1,000 live births). Abortion rates have also decreased (from 3.7 in 2000 to 1.6 in 2010, per woman) with a parallel increase in the contraceptive prevalence rate (from 20% to 53% in married women). Finally, universal access to antiretroviral HIV treatment and tuberculosis treatment has been maintained since 2003 and Georgia is on the way towards certification of malaria elimination.

57. The present national report synthesizes some of the main policy interventions that have helped the country in advancing the progress on health-related Goals, remaining challenges, lessons learned and the vision for future interventions and partnership.

Goals 4 and 5. Maternal and child health

What has worked?

58. Progress in the reduction of maternal, neonatal and child mortality has been attained through a number of facilitating factors, including political commitment, resource investment (both domestic and international), investment in the quality of data and evidence-based policies across ante-, peri- and post-natal care services.

Political commitment

59. The improvement of maternal, newborn and child health outcomes has been positioned among the strategic health priorities throughout national development plans and health sector strategies since 1999. The latest national health system performance assessment and the 2014-2020 strategic framework on universal health care and quality management for the protection of patients' rights also positions maternal, newborn and child health among nine strategic priorities. Finally, maternal and child health promotion stands out among core priorities of the "Social-Economic Development Strategy, Georgia 2020". The Ministry also hosts the Maternal and Child Health Coordinating Council, which brings together all major stakeholders to ensure coherent analysis and action for improvement of maternal, newborn and child health policies and related health outcomes.

Resource investments

60. Maternal and child health-care services are integrated into the State programmes to improve ante-, peri- and postnatal care as well as paediatric services for children under the age of 18 countrywide.

61. The State programmes envisage four antenatal care visits, screening for hepatitis B and C, syphilis and HIV during pregnancy and interventions for the prevention of mother-to-child transmission of such infections. Since July 2013, every pregnant woman is guaranteed State funding for maternity services, covering both physiological and caesarean section deliveries.

62. Reaching every newborn with quality care around the time of childbirth and the days immediately after birth has a critical role to play. Targeted interventions for newborns include essential newborn care, which is effectively used (in 95% of cases) in maternity care practices countrywide. State programmes for newborns include screening for hypothyroidism, phenylketonuria, hyperphenylalaninemia, cystic fibrosis and hearing loss.

63. In addition, every child under the age of 18 is guaranteed a basic package of primary health-care services (including immunization), emergency inpatient and outpatient care, elective surgeries and cancer treatment.

64. In addition to domestic resource allocation, international support in promotion of effective perinatal care has been an important catalyst for change. Programmes supported by USAID and implemented through JSI Research and Training Institute and SUSTAIN projects have facilitated the scaling up of evidence-based perinatal care interventions nationwide and ensured the training of perinatal care personnel. Support from both USAID and UNICEF was critical in the assessment of perinatal care facilities countrywide in 2013 and in the elaboration of the perinatal care regionalization plan for maternity services and newborn care.

65. The restoration and expansion of routine child immunization has been another significant achievement over the past 20 years. The current national immunization schedule includes BCG; hepatitis B; diphtheria, pertussis and tetanus, hepatitis B and haemophilus influenzae type B (DPT-HepB-Hib); diphtheria (DPT); oral polio vaccine/inactivated polio vaccine (OPV/IPV); measles, mumps and rubella (MMR); and diphtheria and tetanus (DT) vaccines. Support from UNICEF and USAID was significant in funding the immunization programme from 1993 to 2006. Independent vaccine initiatives have been an important step for the country, as Georgia

successfully phased out from UNICEF support in the provision of traditional vaccine antigens and has maintained self-sufficiency in vaccine and injection supply procurement since 2006. Support from the GAVI Alliance and the Rostropovich-Vishnevskaya Foundation enabled the country to start measles, mumps and rubella vaccination in 2003. With technical support from WHO, GAVI Alliance is also supporting Georgia in the introduction of new vaccines, such as rotavirus from 2013 and pneumococcal vaccine from 2014.

66. UNFPA support has been critical in building national capacities for the provision of reproductive health and family planning services, including through human resource development at the primary care level and perinatal care facilities as well as the provision of modern family planning methods to the health sector during the past 15 years, free of charge. These efforts contributed to a substantial decrease in the total induced abortion rate (from 3.7 in 1999 to 1.6 in 2010, per woman) coupled with an increase in the prevalence of modern family planning methods, as documented in reproductive health surveys for the years 1999, 2005 and 2010.

Investing in data quality for decision-making

67. While decreasing trends regarding the rates of maternal and child mortality are encouraging, the discrepancy between administrative statistics and survey data remains a concern. The Government has mobilized resources to tackle the problems related to maternal and child health service fragmentation by preparing the background for the introduction of the new maternal and child health management information system. The system will be (a) capable of tracking mother and child throughout the entire cycle (pregnancy, delivery and perinatal care, childcare until child reaches the age of 6); (b) well-thought out to ensure access to the data currently lacking; (c) proficient enough to transform the raw data into useful information and serve as a powerful tool for quality management of maternal and child health, which supports evidence-based decisions and policymaking. UNICEF has supported the Government in this endeavour and as a result the instruments for data collection and data analysis have been developed.

68. In addition, on the basis of an assessment of the completeness and quality of a death registration survey, conducted with support from WHO, recommendations are provided for the harmonization of vital registration systems among the key players (the National Centre for Disease Control and Public Health; the Public Service Development Agency and the National Statistics Office of Georgia).

69. For better monitoring of maternal and child mortality cases, the Ministry launched an emergency notification system in February 2013. The system ensures immediate notification to the Ministry of every maternal death, death of a child under the age of 5, or cases of stillbirth. The information is accumulated in the database, analysed and presented to the Maternal and Child Health Board of the Ministry of Labour, Health and Social Affairs on a monthly basis. On the basis of the analysis, the Board discusses real-time data and recommendations for improvement of the perinatal system performance. For instance, a 2013 review revealed that in two thirds of maternal death cases, pregnant women had not accessed antenatal care at all, or had done so only partially. The Board review also revealed a high proportion of caesarean sections among maternal death cases, which prompted the introduction of relevant regulations.

Promoting evidence-based policies

70. In order to improve the quality of reproductive health services, the Government, in partnership with international organizations (UNICEF, UNFPA, USAID and WHO) has initiated the development, adaptation and institutionalization of national guidelines and protocols for clinical practice. During recent years the clinical practice guidelines and protocols have been adapted and introduced in almost all major areas of reproductive health and maternal and child health.

71. The findings of research, surveys (such as reproductive health surveys, the multiple indicator cluster survey and the reproductive age mortality study) and routine monitoring data are analysed and applied in evidence-based policy formulation. For instance, in response to the high proportion (30%-35%) of caesarean sections reported through monthly monitoring of the universal health coverage programme, a national clinical guideline and a protocol on that procedure was developed in 2013, with the support of UNFPA, USAID and the SUSTAIN project and professional associations. The Ministry, in partnership with WHO and UNFPA, is also responding to the rate of induced abortion, which remains high, through the development of an evidence-based protocol on induced abortion. According to the results of the survey on "Men and gender relations in Georgia" (conducted by UNFPA, UNDP, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the Swedish International Development Cooperation Agency (Sida)) 9 per cent of sexually active women stated that they had undergone a sex-selective abortion. A comprehensive study is under way, with support from UNFPA, to reveal the actual prevalence and underlying factors of sex-selective abortion, which will inform the formulation of relevant policies and communication activities.

72. In addition the Ministry of Labour, Health and Social Affairs, in partnership with USAID, the SUSTAIN project and UNICEF, works on the regionalization of obstetric and neonatal care and the functional integration between the different levels of care that have been demonstrated to be of great importance to reinforce the effectiveness of maternal and child health interventions.

73. The effectiveness of maternal and child health interventions is also fostered by the promotion of quality improvement initiatives. USAID and the SUSTAIN programme, teamed with Joint Commission International, developed the Perinatal Care Accreditation programme, which aims to ensure a sustained drive by health-care facilities for improving the quality of perinatal care services and contributing to the reduction of maternal and infant morbidity and mortality.

74. Another good example of international support in providing evidence-based care for children is the Health-care Improvement Project in Georgia, supported by USAID and implemented by University Research Co., LLC. Pneumonia and other respiratory tract infections contribute to the highest morbidity among children under the age of 5 in Georgia. The project's baseline assessment identified many important quality gaps in the diagnosis and management of such infections in children at all levels of care, including in irrational and excessive antibiotic therapy, unjustified utilization of non-evidence-based medications, diagnostic tests and specialist services. For example, only 36.15 per cent of children hospitalized for pneumonia were treated with evidence-based first-line antibiotics. To improve the diagnosis and management of such infections among children, since 2012, the project supports participating ambulatories and hospitals of Imereti region by creating quality

improvement teams, providing intensive clinical and/or quality improvement trainings, and developing and distributing job-aids and other evidence-based tools on management of respiratory tract infections. Over 18 months, quality improvement interventions resulted in a 68 per cent ($p<0.001$) increase in justified antibiotic use, 33 per cent ($p<0.001$) increase in the use of first-choice antibiotics at hospitals and 71 per cent ($p<0.001$) improvement at ambulatories, compared to control facilities. These results show that the scaling up and institutionalization of proven quality improvement methods and/or tools countrywide most likely will lead to decreased antibiotic resistance, a lower death and disease burden among children, and cost-savings.

What are the remaining challenges and lessons learned?

75. While the progress documented in maternal and child health is impressive, the country needs further investments to attain Millennium Development Goal targets. Along with increased access to and uptake of services, the quality of care needs to be comprehensively addressed. Results from a study of the Health-Care Improvement Project in Georgia showed that quality improvement interventions could raise the standards of delivery of preventive, diagnostic and therapeutic services to maintain, restore or improve the health outcomes of patients. The integration of quality improvement into routine clinical practice should be taken into account. The regionalization of perinatal care facilities needs to be completed, a system of continuous medical education for maternal and child health-care personnel has to be implemented and further investments are needed in public awareness-raising activities.

76. More efforts and sustainable State investment are needed to maintain the progress achieved and make further steps towards achieving universal access to reproductive health services, including family planning, in order to reduce the total induced abortion rate and contribute to the reduction of maternal mortality and morbidity.

77. Furthermore, no comprehensive strategic planning exercise has been completed around maternal and child health programmes that would enable the formulation of a robust, results-based plan and harmonization and alignment of international aid, the lack of which might have underutilized the potential of existing governmental investment and technical and financial support from partners for even greater impact on maternal and child health outcomes.

Goal 6. HIV/AIDS, malaria and tuberculosis response

78. As noted in section II, Georgia has attained historic gains in HIV, tuberculosis and malaria response. The country has reached and sustained universal access to antiretroviral therapy since 2004, universal access to diagnosis and treatment of tuberculosis (including multi-drug-resistant and extensively drug-resistant strains of tuberculosis) and is moving forward to malaria-free certification.

What has worked?

79. Review of the progress in HIV, tuberculosis and malaria response, similar to that achieved in the maternal, neonatal and child health area, reveals that political commitment, resource investment (both domestic and international) and the engagement of international partners and civil society organizations in advocacy and

technical support has been critical. In addition all three disease components have been guided by comprehensive strategic planning exercises and coordinated resource mobilization that largely defined the success of the programmes.

Political commitment

80. Political commitment to successful HIV, tuberculosis and malaria responses has been declared in national development plans and health sector strategies since the late 1990s. The global and regional political platforms, including the Declaration of Commitment on HIV/AIDS adopted by the General Assembly at its twenty-sixth special session (resolution S-26/2), the WHO Stop TB Partnership and the Roll Back Malaria Partnership provided a robust overarching framework for action. The latest national health system performance assessment and the 2014-2020 strategic framework on universal health care and quality management for the protection of patients' rights both position addressing the three diseases among nine strategic priorities.

81. In addition to political commitment, since 2002 a national coordination body has been established to bring together major stakeholders and to guide the development of results-based national strategic plans for HIV, tuberculosis and malaria. A comprehensive planning exercise supported by the United Nations country team (UNICEF, UNFPA, WHO and the Joint United Nations Programme on HIV/AIDS (UNAIDS)) has made a critical contribution to strategic planning regarding HIV/AIDS. Support from UNICEF and WHO was also significant in programming concerning malaria and a similar exercise was conducted as regards tuberculosis with support from WHO, Médecins Sans Frontières and USAID.

Resource investments

82. HIV/AIDS prevention and control interventions are implemented through the HIV/AIDS prevention and treatment programme and the safe blood and antenatal care programmes, that include interventions for the prevention of mother-to-child transmission of HIV. The State programme on HIV/AIDS targets early detection of HIV through voluntary counselling and testing for such high-risk groups as patients with tuberculosis or sexually transmitted infections, prisoners, patients with hepatitis B and C, or patients with clinical signs of HIV/AIDS. The State programme on HIV/AIDS treatment covers outpatient and inpatient services, including antiretroviral therapy. The Government has substantially increased its allocation for opioid substitution therapy. Finally the safe blood programme envisages mandatory testing of all blood donors for HIV, hepatitis B and C and syphilis.

83. While the Government has increased its resource allocations for HIV response, from $39,718 in 2001 to $4,918,619 in 2013, the HIV/AIDS response in the country is still largely dependent on financial support from the Global Fund Fight AIDS, Tuberculosis and Malaria. The efforts in the area of HIV prevention, especially among youth, are largely supported by international organizations (UNFPA, UNICEF and USAID). Antiretroviral medications are provided solely through the support of the Global Fund. Overall the applications to the Global Fund on the basis of the national strategy, as well as support from USAID and the United Nations have been vital for the scaling up of evidence-based HIV prevention and treatment interventions in Georgia.

84. The country's progress in controlling tuberculosis has required a major investment from the Government and donors. The Government's contribution to the budget for addressing tuberculosis has doubled since 2008. The State's contribution, in an amount of GEL 10.5 million, comprised 65 per cent of the total budget for addressing tuberculosis in 2012. However, despite the expansion of State funding, a number of essential tuberculosis control functions (capacity-building, procurement and management of health-care products and equipment for diagnosis, anti-tuberculosis and second-line treatment medicines and their side effects, central and regional supervision of tuberculosis service points, and incentives and enablers for directly observed therapy) are largely or completely dependent on the Global Fund project. The Global Fund grant ends in 2016, as does the USAID tuberculosis prevention project, thus making 2013-2015 a critical window to determine which investments have brought the most value for money and how they can be sustained with domestic resources.

Investing in data quality for decision-making

85. The national tuberculosis programme, supported by the Global Fund tuberculosis project, established a supportive supervision system for local tuberculosis providers to monitor tuberculosis-related reporting and recording. The existing tuberculosis data management system allows the generation of quality data on all key indicators necessary for national and international reporting. The current initiative for developing an electronic tuberculosis data management system, supported by USAID, will significantly strengthen the tuberculosis surveillance system by allowing real-time and swift data exchange in order to facilitate programmatic and policy decision-making.

Promoting evidence-based care

86. International experts regard the Georgian model of HIV/AIDS treatment and care as the leading experience among countries of the former Union of Soviet Socialist Republics. The HIV/AIDS treatment and care programme is implemented by the Infectious Diseases, AIDS and Clinical Immunology Research Centre (National AIDS Centre), which, along with four affiliated regional facilities (Kutaisi, Batumi, Zugdidi and Sokhumi), provides free medical services through the State's HIV programme and the projects supported by the Global Fund.

87. Special attention is paid to adherence as an important determinant of treatment success. A programme to promote and maintain antiretroviral adherence has been developed that includes patient education, adherence monitoring and counselling. Since 2008, a home-based adherence support and monitoring programme started countrywide through the operation of mobile units.

88. Georgia is advancing towards eliminating vertical transmission of HIV by ensuring universal access to services for the prevention of mother-to-child transmission of HIV. Such services include HIV testing and prophylactic or therapeutic antiretroviral treatment for HIV-positive mothers and their newborns. Since 2005, there have been no cases of vertical transmission among babies born to HIV-positive women receiving antiretroviral treatment or prophylaxis.

89. Georgia has implemented new laboratory technology for the rapid detection of tuberculosis and drug resistance, allowing the country to identify 63 per cent of the estimated multi-drug-resistant tuberculosis cases notified in 2011.

What are the remaining challenges and lessons learned?

90. Low coverage as regards prevention and particularly HIV testing of key populations at risk leads to a high number of undiagnosed HIV cases or of cases diagnosed at a later stage. This has major implications for controlling the epidemic. Persons unaware of their HIV status continue to engage in high-risk behaviours, thus unknowingly transmitting the virus. Late diagnosis substantially increases the risk of mortality. Thus the expansion of prevention and harm reduction initiatives has been of critical importance.

91. The stigma and discrimination towards people living with HIV continues to be a major barrier to effective HIV prevention and service utilization. Negative social attitudes and low public awareness also remain as an obstacle. Beyond societal attitudes, State criminal laws, regulations and policies relevant to drug use and preventive work among injecting drug users and prisoners are among the limiting factors.

92. The laws on drug addiction prevention and control are not compatible with implementing effective interventions in public and penal sectors. Therefore, issue-focused and targeted advocacy efforts aimed at improving the legal environment are essential for the future success of HIV policy and response in Georgia.

93. The most recent analysis of the national tuberculosis response, in May 2012, identified delayed case detection, lack of a patient support system to ensure adherence and easy access to anti-tuberculosis drugs in pharmacies, which promotes self-treatment, as the main challenges. Ongoing fundamental health-care reforms have changed the context for tuberculosis control. In 2012, tuberculosis dispensaries were absorbed into private general medical facilities and tuberculosis control responsibilities were assigned to various public and private agencies with varying degrees of expertise and experience regarding tuberculosis.

94. A truly functional integration of tuberculosis services into the private network, if successful, should lead to improvements in the early detection of tuberculosis cases, referral and regularity of patient follow-up, and most importantly, in quality of treatment. At the same time, there are potential pitfalls that need to be addressed in order to achieve success, including reinforcing infection control measures and bringing the physical infrastructure for tuberculosis services up to internationally acceptable standards relating to space and air flow. The integration of tuberculosis services into the general health facility has some potential to decrease stigma related to tuberculosis. At the same time, stigma reduction must be balanced with appropriate information campaigns, in order to ensure that a paradoxical increase in stigma does not occur as an unintended consequence.

95. There is also need to understand drivers for stigma and to develop advocacy, communications and social mobilization materials that target stigma relating to tuberculosis in specific communities and population groups.

IV. Conclusions from the experience in implementing health-related Goals

96. While analysing Georgia's achievements to health-related Goals, a number of common facilitating factors become evident. The same catalysts have to be taken

into account in planning and supporting implementation of the development agenda beyond 2015.

Effective coordination of policies and programmes

97. Positive results and trends are documented in areas where national coordination councils or relevant inter-agency coordination mechanisms have worked. Such mechanisms have ensured coherent advocacy and successful advancement of the HIV/AIDS, tuberculosis and malaria agenda through a country coordinating mechanism. The Inter-Agency Coordination Council for Immunization is operational and has ensured a consensus platform among all key stakeholders on national vaccination programme policies and action. Progress has been also evident in maternal, newborn and child health since operationalization of the Maternal and Child Health Board. However, the experience of the Maternal and Child Health Board is relatively limited and needs further observation and analysis.

Robust national policies and plans

98. The robustness of national policy and programme planning has been critical in developing evidence-based and results-oriented strategies and effective alignment and harmonization of international aid in disease-specific programmes (e.g., national response for immunization, HIV, tuberculosis and malaria). However, with increasing global advocacy for an integrated universal health care agenda and strengthening platforms for health systems, the international community has to invest more in the provision of comprehensive guidance to low- and middle-income countries around national health strategic planning. The latter is critical both in the promotion of results- and evidence-based policies, effective allocation and use of limited domestic resources and harmonization and alignment of international aid to robust national policies and plans.

Civil society engagement

99. The engagement of civil society partners and representatives of affected constituencies, academia and the media has played a critical role in consensus-building and coordinated actions around HIV/AIDS, tuberculosis and reproductive health. The engagement of patients was also critical in the attainment of antiretroviral treatment gains and the latest initiative of Georgia in this regard concerns a 60 per cent reduction in the cost of treatment for hepatitis C.

International cooperation

100. International development assistance, including both financial and technical assistance, has ensured timely initiation of life-saving interventions in communicable diseases such as HIV, tuberculosis and vaccine-preventable diseases among children. Support from United Nations entities and specifically from UNFPA, together with USAID, has played a substantial role in strengthening national sexual and reproductive health response and generating data for decision-making through 3 rounds of reproductive health surveys. At present, Georgia largely relies on the support of the Global Fund for antiretroviral treatment and anti-tuberculosis drugs as well as harm-reduction interventions for the most-at-risk-groups. UNICEF, USAID, the GAVI Alliance and the Rostropovich-Vishnevskaya Foundation support has been invaluable in supporting the revitalization of

immunization programmes in the early years of transition and continuous expansion of the national immunization schedule with new and underused vaccines.

Government commitment to financial sustainability

101. The sustainability of donor-supported programmes is critical for maintaining the hard-won gains in public health outcomes. Governments need additional guidance and support for ensuring a successful transition in vaccine independence initiatives or phasing out from major global public-private partnership support for tackling HIV/AIDS, tuberculosis and malaria. The latter is especially critical for middle-income countries of Central and Eastern Europe and the Commonwealth of Independent States region that are scheduled to transition from the support of the GAVI Alliance and the Global Fund and are increasingly less eligible for international development aid.

Need for a broader global health vision beyond 2015

102. The global community, since the adoption of the General Assembly resolution 67/81 with its focus on universal health coverage, has agreed on the new global health vision for 2030. The vision has been recently reinforced by a high-level meeting hosted by the World Bank in partnership with the Secretariat of the United Nations and WHO. Therefore, universal health care has to be given greater prominence in the post-2015 development agenda, as the programme provides an essential platform for securing the human rights for the best attainable standard of health care as well as a platform for integrated strengthening efforts for health systems at the country level.

103. The post-2015 development agenda for Goals 6 and 8 has to target increased access to affordable and effective antiviral treatment for hepatitis C, as the disease has been accounting for a major disease burden, especially among middle-income countries. The newly emerging directly acting antiviral drugs represent an important source of hope for millions affected by hepatitis C and the global health partnerships building on the experience of the Global Fund and the International Drug Purchase Facility (UNITAID) have to target the establishment of a sustainable mechanism for ensuring affordable pricing of the relevant treatment.

104. Finally, non-communicable diseases, which account for the majority of adult morbidity and premature death in low- and middle-income countries (cardiovascular disease, cancer, related needs for the promotion of good health) must be placed at the heart of future human development. The Political Declaration on HIV and AIDS: Intensifying Our Efforts to Eliminate HIV and AIDS, adopted by the General Assembly in 2011 (resolution 65/277) and the Health 2020 agenda of WHO provide strong platforms on which to build. Through donor support and technical support (including from USAID and WHO) Georgia has made important gains to plan and implement interventions among the population and at the facility level to improve access to non-communicable disease prevention and control practices of high quality, though consistent technical support and international aid will be essential to scale up the best non-communicable disease practices countrywide.

United Nations E/2014/73

Economic and Social Council

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15 May 2014
English
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2014 session
Item 10 (d) of the provisional agenda*
Coordination, programme and other questions: long-term programme of support for Haiti

Letter dated 13 May 2014 from the Permanent Representative of Uruguay to the United Nations addressed to the President of the Economic and Social Council

I have the honour to write to you in your capacity as President of the Economic and Social Council and, in line with my country's historical commitment to the situation in Haiti, I wish to inform you that Uruguay is interested in joining the Ad Hoc Advisory Group on Haiti.

Uruguay coordinates the Group of Friends of Haiti in New York, contributes troops to the United Nations Stabilization Mission in Haiti and has very close ties with the Haitian people, which the Government of Uruguay wishes to strengthen even further by joining the Ad Hoc Advisory Group on Haiti.

Uruguay believes that the Group's contribution in essential areas such as Haiti's development strategy, socioeconomic recovery, reconstruction and stability has made it a central player.

The Government of Uruguay therefore aligns itself with the aims and commitment of the Ad Hoc Advisory Group on Haiti.

I should be grateful if you would have this letter circulated to the members of the Economic and Social Council.

(*Signed*) Gonzalo **Koncke**
Ambassador
Permanent Representative of Uruguay
to the United Nations

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* E/2014/1/Rev.1, annex II.

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Economic and Social Council

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2014 session
Item 5 (c) of the provisional agenda*
High-level segment: annual ministerial review

Letter dated 14 May 2014 from the Deputy Permanent Representative of Nepal to the United Nations and Chair of the fifty-first and fifty-second sessions of the Commission for Social Development addressed to the President of the Economic and Social Council

I am writing to you in my capacity as Chair of the Commission for Social Development for the fifty-first and fifty-second sessions, in reference to General Assembly resolution 68/1 on the review of the implementation of Assembly resolution 61/16 on the strengthening of the Economic and Social Council, by which the subsidiary bodies of the Council are invited to contribute, as appropriate, to the work of the Council in keeping with the agreed annual theme.

The Commission for Social Development held its fifty-second session from 11 to 21 February 2014 in New York, during which it considered the priority theme "Promoting empowerment of people in achieving poverty eradication, social integration and full employment and decent work for all", and issues pertaining to the situation of social groups. During the course of the session, the Commission convened three high-level panel discussions on (1) the priority theme, (2) emerging issues: the social drivers of sustainable development and (3) the family, in observance of the twentieth anniversary of the International Year of the Family, 2014.

I believe the discussions held during the fifty-second session of the Commission are closely linked to the main theme of the Economic and Social Council for 2014, "Addressing ongoing and emerging challenges for meeting the Millennium Development Goals in 2015 and for sustaining development gains in the future".

A Chair's summary of the discussions held during the fifty-second session of the Commission, which could further enrich the Council's deliberations, is available on the website of the Commission (http://undesadspd.org/CommissionforSocialDevelopment/Sessions/2014.aspx).

* E/2014/1/Rev.1, annex II.

14-53599 (E) 300514

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I would like to request that the present letter be circulated as a document of the Economic and Social Council for its consideration under item 5 (c) of the provisional agenda of the 2014 session of the Council.

(*Signed*) Sewa Lamsal **Adhikari**
Deputy Permanent Representative
Chair of the Commission for Social Development
for the fifty-first and fifty-second sessions

United Nations A/69/84–E/2014/75

General Assembly
Economic and Social Council

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General Assembly
Sixty-ninth session
Item 70 (b) of the preliminary list*
Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance

Economic and Social Council
2014 session
Item 12 of the provisional agenda**
Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations

Assistance to the Palestinian people

Report of the Secretary-General

Summary

The present report, submitted in compliance with General Assembly resolution 68/100, contains an assessment of the assistance received by the Palestinian people, needs still unmet and proposals for responding to them. It describes efforts made by the United Nations, in cooperation with the Palestinian Authority, donors and civil society, to support the Palestinian population and institutions.

The reporting period is from May 2013 to April 2014. During this period, the Palestinian Authority continued to implement the Palestinian National Development Plan 2011-2013 and developed the Palestinian National Development Plan 2014-2016. In support of these efforts, the United Nations developed the United Nations Development Assistance Framework for the State of Palestine 2014-2016, which focuses on six priority areas: (a) economic empowerment, livelihoods, decent work and food security; (b) governance, rule of law, justice and human rights; (c) education; (d) health care; (e) social protection; and (f) urban development, natural resource management and infrastructure. The financial resources required for the assistance provided through the Framework amount to approximately $1.2 billion. This complements the humanitarian programming outlined in the 2014 Strategic Response Plan for the occupied Palestinian territory, which has a total budget of $390 million.

* A/69/50.
** E/2014/1/Rev.1, annex II.

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In July 2013, Israelis and Palestinians returned to direct final status negotiations, supported by extensive facilitation efforts led by the United States of America and assisted by the Quartet. The parties agreed on an agenda encompassing all core final status issues and on the goal of reaching a comprehensive agreement within nine months. However, despite the resumption of negotiations, the situation on the ground continued to deteriorate with increased settlement activity and violence in the West Bank and a deteriorating humanitarian situation in Gaza.

During the reporting period, the United Nations continued its efforts to respond to development and humanitarian challenges in the context of occupation, focusing particularly on areas where the Palestinian Authority was least able to extend its services, namely, Gaza, and Area C and East Jerusalem of the West Bank.

I. Introduction

1. The present report is submitted in compliance with General Assembly resolution 68/100, in which the Assembly requested the Secretary-General to submit to it, at its sixty-ninth session, through the Economic and Social Council, a report on the implementation of the resolution, containing an assessment of the assistance actually received by the Palestinian people and an assessment of the needs still unmet and specific proposals for responding effectively to them. Also included is a summary of key political developments and challenges relevant to the reporting period, as the international community continued to work to alleviate the suffering of the Palestinian people, as well as to support the State-building efforts of the Palestinian Authority and negotiations between the parties. The reporting period is from May 2013 to April 2014.

2. Information on the living and socioeconomic conditions of the Palestinian people is provided in several reports prepared by other United Nations agencies, in particular: (a) the report of the Economic and Social Commission for Western Asia on the economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the occupied Palestinian territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan (to be issued); and (b) the annual report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (A/68/13).

3. The humanitarian, economic and development needs of the Palestinian people are reflected in several complementary documents. The 2014 Consolidated Appeal Process, now called the 2014 strategic response plan, with a more targeted focus than in previous years, is seeking $390 million to address the most urgent humanitarian needs by enhancing the protective environment and tackling the food insecurity of the most vulnerable groups throughout the occupied Palestinian territory. The United Nations Development Assistance Framework for the State of Palestine presents the United Nations strategic response to Palestinian development priorities for the period 2014-2016, in alignment with the current Palestinian National Development Plan. UNRWA programme goals for the period 2010-2015 were reflected in the Agency's medium-term strategy, which was estimated at $639.4 million for 2013-2014, excluding emergency relief interventions. The Palestinian National Development Plan 2014-2016 outlined priority development needs amounting to roughly $12 billion.

4. Throughout the year, the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO) continued its efforts to support the peace process and to ensure effective coordination among the Palestinian Authority, the United Nations, the international community and the Government of Israel. The Office also continued to document the economic and social conditions in the occupied Palestinian territory, and to develop policies and programmes to improve them.

II. Overview of the current situation

A. Political context

5. In July 2013, for the first time since October 2010, Israelis and Palestinians returned to direct final status negotiations, supported by extensive facilitation efforts led by the United States of America. The parties agreed on an agenda encompassing all core final status issues and on the goal of reaching a comprehensive agreement within nine months. The Quartet welcomed the resumption of talks and reiterated its shared commitment to helping the parties to achieve a negotiated two-State solution within the agreed time frame. In accordance with the agreement, the first round of talks was held on 14 August, in Jerusalem, following the release of a first tranche of pre-Oslo Palestinian prisoners. The Secretary-General travelled to the State of Palestine, Israel and Jordan on 15 and 16 August to lend support to the process.

6. Dialogue intensified during the autumn of 2013, with some 17 rounds of talks. The repeated announcement of settlements with each release of prisoners, however, complicated the negotiation efforts. Since the beginning of 2014, such efforts have focused on articulating an agreed framework on all core issues as the guiding basis for continued negotiations towards a final status agreement. Secretary of State Kerry has pursued his shuttle diplomacy between the sides.

7. International support for the renewed peace talks, including through the Quartet and key Arab, regional and other stakeholders, has been steadfast. On 20 January 2014, at the Security Council open debate on the situation in the Middle East, the Secretary-General reiterated the need to help Israelis and Palestinians to draw back from a dangerous status quo, since the failure of political progress could fuel a downward spiral on the ground.

8. On 28 March 2014, citing a lack of political progress in the peace talks, Israel postponed its decision to follow through with the release of the fourth and final tranche of 30 pre-Oslo Palestinian prisoners. In response, on 1 April, and following the announcement on the same day of 708 reissued tenders for settlement units in Gilo, President Abbas announced that the Palestinian leadership had unanimously voted to join 15 international conventions and treaties. The accession instruments to 13 of those applications, including an optional protocol, were deposited with the Secretary-General on 2 April and all States concerned have since been informed through the circulation of depository notifications. Accession to the four Geneva Conventions of 1949 and an additional protocol came into effect retroactively. President Abbas nevertheless remained committed to continuing negotiations until 29 April. Despite continued meetings between the parties to overcome the impasse and to agree to an extension of the negotiating period on a different basis, on 24 April Israel suspended its participation in the talks in response to the announcement one day earlier of an intra-Palestinian unity agreement on the formation of a national consensus Government. Israel stated that it would not negotiate with any Palestinian Government backed by Hamas that does not recognize Israel's right to exist. The initial nine-month framework for negotiations lapsed on 29 April. At the time of writing, it remains unclear whether the parties will be able to find their way back to meaningful negotiations. In the meantime, the Secretary-General has appealed to both Israelis and Palestinians to exercise prudence and to avoid unilateral steps that would diminish the prospects for a negotiated final settlement.

9. The political impasse was compounded by a volatile situation on the ground with negative trends in the West Bank, including East Jerusalem, and a fragile calm in Gaza. Since mid-December 2013, clashes between Israeli forces, Israeli settlers and Palestinians have increased in frequency and intensity, particularly in and around refugee camps. Palestinian stone- and Molotov cocktail-throwing has also been on the rise and has resulted in some injuries and material damage. Settler attacks against Palestinians and their property, including attacks against orchards and one arson attack on a mosque, have also continued despite Israeli efforts to crack down on perpetrators of so-called price tag attacks. Palestinian security forces have continued working to maintain law and order in areas under their control in the West Bank.

10. The settlement restraint observed in the spring of 2013 has since been unravelling, including in East Jerusalem, with announcements relating to the approval of settlement units, including one relating to the approval of 24,000 units, since stopped, in November 2013. The United Nations position on the illegality of settlements remains firm. On 19 July, the European Commission, drawing on earlier Foreign Affairs Council conclusions, issued guidelines stipulating that it would only provide grants to and maintain relations with Israeli institutions within the 1967 line. The guidelines prescribe that any Israeli legal entity receiving funding from the European Union would have to state that it has no links to the West Bank, including East Jerusalem. In February 2014, plans to build over 2,000 new settlement units were announced. Demolitions of Palestinian property also continued. Tensions increased around the Temple Mount/Haram al-Sharif, including over visits of right-wing Israeli politicians to the compound and an inconclusive Knesset debate on 25 February on extending Israeli sovereignty over the holy site. The Secretary-General has reiterated the United Nations position that the status of the Old City and the religious sites within it are sensitive final status issues to be resolved only through negotiations and that the parties should refrain from attempts to establish facts on the ground and to alter the character of the Old City. The situation of Palestinians in Israeli administrative detention, some of whom undertook hunger strikes, has remained of grave concern. Palestinians also organized demonstrations in the West Bank and Gaza to express concern over the health of sick Palestinian prisoners in Israeli detention.

11. In Gaza, the calm has been eroding with several episodes of rocket fire into Israel, border incidents and dangerous escalations. During the summer of 2013, several measures were taken by Israel to relax the closure regime, including the extension of the fishing limit from 3 to 6 nautical miles. By the end of November 2013, i.e., one year after the ceasefire understanding, the situation in Gaza had once again deteriorated, with renewed violence and worsening socioeconomic conditions. Following the discovery in October of a tunnel extending into Israel built by Hamas, Israel suspended the import of construction material for international projects through the Kerem Shalom crossing. This decision has since been partly reversed for United Nations projects. Ongoing political and security developments in Egypt have also led to the continued closure of tunnels, the tackling of illegal smuggling and the frequent closure of the Rafah crossing. Between 11 and 13 March, more than 70 rockets and mortar shells were fired towards Israel. These incidents, responsibility for the majority of which was claimed by Palestinian Islamic Jihad, did not result in injuries or significant material damage. Israel conducted a number of air strikes into Gaza in March 2014, resulting in the death of five militants

reportedly affiliated with Palestinian Islamic Jihad and injuries to two Palestinian civilians, while an additional three civilians were injured by live fire from the Israel Defense Forces in the vicinity of the barrier. On 5 March, Israeli naval forces intercepted a ship in the Red Sea, allegedly transporting arms, including missiles, from the Islamic Republic Iran to the Gaza Strip.

12. The full implementation of Security Council resolution 1860 (2009), which entails overcoming the Palestinian political divide in ways that should advance the potential for a two-State solution, continues to represent the most viable option to stabilize and improve the situation in Gaza while addressing its structural problems. The unity agreement announced on 23 April provided for the formation of a Palestinian Government of national consensus within five weeks and the holding of presidential and legislative elections within six months thereafter. Addressing a Palestine Liberation Organization (PLO) Central Council meeting on 26 April, President Abbas reiterated that this agreement will be implemented under his leadership and on the basis of PLO commitments, which would hold the future Government of National Consensus to recognition of Israel, non-violence and adherence to previous agreements. He also emphasized that an agreement on this basis and continued peaceful negotiations should not be viewed as contradictory. The United Nations continues to believe that a unity agreement implemented on the terms described by President Abbas would constitute an opening that offers, at long last, the prospect of reuniting the West Bank and Gaza under one legitimate Palestinian Authority, including by holding long overdue elections.

B. Humanitarian and socioeconomic context

Economic and fiscal developments

13. The Palestinian Authority continued to implement key economic and fiscal reforms, yet fiscal consolidation progressed slowly in 2013. The fiscal strain is evident through continued arrears accumulation and high public debt. In 2013, total revenues were 8 per cent below budget, while total expenditures were 2 per cent above budget, with net lending reaching 357 per cent of the budgeted amount. This resulted in a total deficit of $1.4 billion. In 2013, the Palestinian Authority received close to $1.3 billion in direct budget support, a sum higher than projected.[1]

14. In February, the Palestinian Cabinet approved a $4.2 billion budget for the coming year, reflecting a 9 per cent increase since 2013. The 2014 budget presents a current deficit of $1.3 billion and development financing needs of $0.3 billion.[2]

15. The weakening of real gross domestic product (GDP) growth in the West Bank and the Gaza Strip in 2013 is of real concern. In 2013, unemployment stood at 18.6 per cent in the West Bank and increased to 32.6 per cent in the Gaza Strip.[3] Women and young people continue to be particularly affected by the lack of jobs.

16. Concerns about the long-term prospects of the Palestinian economy continued to include the need for enhanced private sector activity, particularly in the

[1] Government of the State of Palestine, Ministry of Finance, Fiscal Operations: Revenues, Expenditures and Financing Sources Monthly Report, December 2013 (11 February 2014).
[2] Ibid., March 2014 (16 April 2014).
[3] Palestinian Central Bureau of Statistics; data available at http://pcbs.gov.ps/Portal/_PCBS/Downloads/Book2049.pdf.

productive sectors of the economy. This will require increased access to natural resources and the further relaxation of access restrictions on people and goods. It is estimated that the lifting of the restrictions on movement and access and other administrative obstacles to Palestinian investment and economic activity in Area C would result in potential additional output amounting to at least $2.2 billion per annum in valued added terms, a sum equivalent to 23 per cent of Palestinian GDP in 2011.[4]

Humanitarian developments

17. During the reporting period, 47 Palestinians were killed (19 in Gaza, including 10 militants; 28 in the West Bank; overall, 4 children and 1 woman) and 2,632 were injured (188 in Gaza; 2,444 in the West Bank; overall, 830 children and 77 women) by Israeli security forces.[5] In comparison, 258 fatalities and 5,492 injuries were reported during the previous period, mostly as a result of the conflict in Gaza in November 2012. Settler violence towards Palestinians resulted in 235 injuries (including 34 children and 11 women) in 83 incidents. In addition, an estimated 292 incidents against Palestinians led to damage to property, with at least 13,955 trees damaged. A total of 4 Israelis (including 2 civilians) were killed and 118 were injured during the reporting period, compared with 7 Israelis killed and 405 injured during the previous reporting period.

18. As at the end of December 2013, 154 boys between the ages of 14 and 17 were in Israeli detention for alleged security violations.

19. Between 1 May 2013 and 8 April 2014, a total of 663 housing and livelihood structures were demolished in Area C of the West Bank, including East Jerusalem, displacing at least 1,120 persons, around half of them children. At least 2,320 additional persons were affected by the demolitions of housing and livelihood assets during the reporting period.

20. The latest socioeconomic and food security survey (2012) revealed a significant increase in food insecurity in the occupied Palestinian territory, from 27 per cent to 34 per cent, indicating that tackling food security remains a key humanitarian concern in the territory. In the West Bank, food insecurity levels reached 19 per cent and in Gaza, food insecurity levels reached an alarming 57 per cent.

Movement, humanitarian access and operational space

21. Access to and movement of Palestinians between most Palestinian urban centres in the West Bank, excluding East Jerusalem, remained restricted during the reporting period. These ongoing restrictions on Palestinian access to land, social services and economic opportunities in East Jerusalem and Area C hinder development efforts, resulting in deteriorating living conditions and increased vulnerability. In Gaza, restrictions on land and sea access imposed by the Government of Israel remained in place.

[4] World Bank, Area C and the future of the Palestinian economy, Report No. AUS2922. Available from http://documents.worldbank.org.

[5] Figures cover the period from 1 May 2013 to 7 April 2014. Data collected by the Office for the Coordination of Humanitarian Affairs.

22. From May 2013 to March 2014, at least 300 incidents of delayed or denied access by United Nations and non-governmental organization (NGO) staff members were reported at Israeli checkpoints. Around half of these incidents occurred as United Nations staff crossed the barrier on the Jerusalem periphery.

Barrier

23. Construction of the barrier continued in the north-west of the Bethlehem Governorate in addition to rerouting works near Khirbet Jubara in Tulkarem as well as around Qalqiliya. The United Nations Register of Damage caused by the Construction of the Wall in the Occupied Palestinian Territory established pursuant to General Assembly resolution ES-10/17 of 24 January 2007 continued its outreach and claim intake activities. More than 42,000 claims and over 500,000 supporting documents were collected. Claim intake activities in the Tubas, Jenin, Tulkarem, Qalqiliya and Salfit Governorates were completed and the work in the Ramallah and Hebron Governorates is nearly finalized. Outreach and claim intake activities in the Bethlehem Governorate have also been initiated.

III. United Nations response

24. In 2014, the United Nations and its partners, through the 2014 Strategic Response Plan for the occupied Palestinian territories, will continue to coordinate and deliver humanitarian and protection assistance, including food assistance, to 1.9 million vulnerable Palestinians, largely in Gaza, Area C of the West Bank, East Jerusalem and the seam zone. The humanitarian strategy, which replaces the Consolidated Appeal Process, takes into account and is aligned with the cycle of the longer-term development strategies, particularly the Palestinian National Development Plan 2014-2016, which in turn is supported by the United Nations Development Assistance Framework for the State of Palestine 2014-2016.

25. The United Nations system worked closely with the Palestinian Authority in developing the United Nations Development Assistance Framework for the State of Palestine, a strategic planning framework that guides United Nations development programming between 2014 and 2016 and is aligned with the Palestinian National Development Plan 2014-2016. The Framework places the Palestinian people at the centre of development programming with the aim of enhancing human security, thereby laying the foundation for human development objectives in a context of occupation. The United Nations, through its extensive humanitarian programming, continued to provide essential assistance to Palestinians.

A. Human and social development

26. The United Nations continued to coordinate and deliver humanitarian assistance, including food assistance, to over 1 million people; water and sanitation assistance to over 1.5 million people; and health and nutrition services to nearly 2.5 million people in the occupied Palestinian territory.

27. United Nations development programming focused on capacity development, infrastructure and the provision of direct assistance and basic services. This work is centred on six strategic areas: (a) economic empowerment, livelihoods, decent work

and food security; (b) governance, rule of law, justice and human rights; (c) education; (d) health care; (e) social protection; and (f) urban development, natural resource management and infrastructure, as outlined in the United Nations Development Assistance Framework for the State of Palestine 2014-2016. The estimated financial resources required for the assistance provided through the Framework amount to $1.2 billion for the period 2014-2016. At the time of writing, one third of this budget had been mobilized.

28. An important part of the United Nations development work in the State of Palestine is its activities in Gaza. Despite continued closures that still hamper operations, the United Nations implements a package of development works that are worth nearly $450 million and that generate employment in the construction sector, one of the few dynamic sectors in Gaza. For example, through UNRWA construction projects, 4,000 full-time equivalent jobs were generated in 2013. Combined, these jobs represented 8.1 per cent of all employment in the Gaza Strip and contributed to reducing the unemployment rate in Gaza by 5.5 percentage points.

29. Illustrative examples of the types of assistance provided by the United Nations are set out below.

Education

30. Nine United Nations agencies continued to support the implementation of the "Education for All" package for the State of Palestine, which is led by the Ministry of Education and Higher Education to address capacity-building needs in inclusive and child-friendly education and early childhood development.

31. These agencies supported the Ministry of Education and Higher Education in the opening of 44 preschool classrooms, 30 in the West Bank and 14 in Gaza, through the installation and equipment of 14 prefabricated units for preschool classrooms in Gaza and the provision of as well as technical support to the Ministry for the implementation of its new early childhood development strategy.

32. As part of the Education for All package, 70 pilot schools in the West Bank and Gaza (including 12 UNRWA schools) benefited from various education interventions, such as school-feeding programmes and capacity development programmes focusing on inclusive and child-friendly education, early childhood development and special educational needs.

33. The United Nations Children's Fund (UNICEF) supported the capacity development of 21,094 teachers, principals and supervisors in the area of active learning strategies and the child-friendly school approach.

34. The United Nations Educational, Scientific and Cultural Organization (UNESCO) initiated support to vulnerable students through a new initiative that focuses on expanding access to resource materials and books through libraries and implementing a right to education advocacy strategy. It identified and equipped 12 libraries in the West Bank and Gaza with resources and trained 12 librarians.

35. The United Nations Development Programme (UNDP) continued to implement the Al Fakhoura Scholarship Programme for Gazan students.

36. The International Labour Organization (ILO) continued to promote entrepreneurship education and to support the nationalization of the entrepreneurial education curriculum in all vocational training centres, industrial schools and

technical colleges. Five training activities took place in Ramallah, Nablus and Hebron for key national facilitators of vocational training centres.

37. UNRWA provided free primary education to approximately 283,307 students enrolled in 344 elementary and preparatory schools across the West Bank and Gaza. In Gaza, 71 per cent of schools currently operate on a double-shift system while in the West Bank, only 5 per cent of schools are temporarily on the double-shift system, to accommodate new school construction. Owing to funding constraints, UNRWA was forced to suspend school feeding to students in Gaza attending classes in the 245 schools.

38. UNICEF, along with its national partners, supported safe and protected access for around 8,980 children (26 per cent of them girls) to schools at 19 different locations including checkpoints, gates and schools most vulnerable to settler violence and harassment by the Israel Defense Forces.

Health

39. UNRWA continued to be a major provider of health-care services, operating 42 health-care facilities, 21 primary health-care centres, one hospital and one non-communicable disease referral centre in Gaza and the West Bank, employing over 2,000 staff. Annually, an average of 30,000 Palestine refugees in the West Bank received assistance for hospital-care costs.

40. In the West Bank, UNRWA operated six mobile clinic teams, which provided primary health-care services to 55 of the most remote or vulnerable communities. The teams provided an average of more than 12,000 patient consultations a month and covered a population of approximately 120,000 refugees and non-refugees.

41. The United Nations Population Fund (UNFPA) completed a continuum of care project, which improved access to high-quality obstetric care for the most at-risk Gaza communities and expanded safe delivery services by establishing, rehabilitating and equipping key maternity and primary health-care centres. Moreover, it continued to work on strengthening family planning services by ensuring the availability of family planning commodities at all public service delivery points. Complementing these interventions, UNFPA reached 5,943 women with health promotion and awareness activities.

42. Through the Global Fund to Fight AIDS, Tuberculosis, and Malaria, United Nations agencies continued to deliver life-saving drugs to patients through the Ministry of Health, both in Gaza and the West Bank.

43. UNICEF and the World Health Organization (WHO) supported the Ministry of Health in procuring polio vaccines and coordinated a national immunization campaign from which 639,481 children under the age of five benefited.

44. UNICEF supported the provision and rehabilitation of equipment for at least eight neonatal intensive care units and trained health professionals on neonatal guidelines. Data from one of the targeted hospitals in Gaza showed a decrease in the neonatal mortality rate and in premature deaths. In addition, UNICEF supported the provision of equipment for maternity wards in two hospitals in the West Bank, which resulted in improved paediatric health services for 17,000 children and obstetric health services for 12,000 women.

45. UNICEF continued to implement the baby-friendly hospital initiative in nine hospitals and 45 health facilities in the West Bank and three hospitals in Gaza and reached 4,610 mothers and newborns through the postnatal home visits programme.

46. Approximately 3,500 Palestine refugees received individual psychosocial counselling services from the UNRWA West Bank community mental health programme in 2013. UNICEF scaled up its psychosocial programmes implemented in family centres in Gaza through five psychosocial emergency teams and through the Ministry of Education and Higher Education, reaching approximately 150,000 children, half of them girls (of whom 37,145 were adolescents), with professional psychosocial support services that helped to increase their resilience and coping mechanisms. These services included group counselling, individual counselling, emergency home visits, life skills, educational support and recreational activities. In addition, a total of 17,986 caregivers (35 per cent of them men) were reached through awareness-raising activities designed to improve parents' knowledge and skills regarding how to protect their children and provide better support to them, especially at times of crisis.

Water and sanitation

47. In the West Bank, UNICEF supported water quality monitoring of cisterns benefiting 570 families and implemented the water and sanitation in schools programme, which involves the construction and rehabilitation of water, sanitation and hygiene facilities in 55 schools. Once completed, the programme will benefit more than 80,000 students.

48. UNICEF supported the Palestinian Water Authority and the Coastal Municipalities Water Utility in the initiation of the construction and installation of a short-term low-volume seawater desalination plant in Gaza.

Employment

49. ILO implemented a programme to support livelihoods and job opportunities in the fishery sector in Gaza. Using participatory value chain analysis and a series of training activities that were adapted to the needs of individuals, groups and associations in the sector, the project facilitated the development of a Gaza sector recovery plan while also fostering dialogue among stakeholders in various sectors.

50. United Nations agencies continued to support income-generation and self-employment opportunities for vulnerable Palestinians. UNDP targeted around 4,000 families across the West Bank and Gaza and focused on income-generating activities in microenterprise and small enterprise development, housing, education, health and rehabilitation. The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), through 41 women's centres, focused on job opportunities in food processing and marketing. The programme directly benefited 536 women workers and over 35,800 women benefited from the services provided at the centres. Through the programme, 23 women's centres have reached financial sustainability. The activity also benefited more than 258 schools and over 100,000 schoolchildren who receive healthy and affordable snacks made by women from the community-based centres. Moreover, 800 Palestine refugee women were trained through the young women leaders programme implemented by UNRWA in Gaza. The programme aims to close a skills gap in the labour market by ensuring that women are developing skills demanded by the labour market through theoretical and

practical training courses, work placement schemes and small- and medium-enterprise training. The Food and Agriculture Organization of the United Nations (FAO) supported 19 women's cooperatives and their members in achieving improved economic conditions through training to strengthen their marketing skills and the provision of tools to improve the marketability of their products.

51. On 1 December 2013, the United Nations Office for Project Services (UNOPS) delivered and installed a new high-tech gantry container scanner at the Kerem Shalom crossing.

Targeted social protection

52. In Gaza, UNRWA distributed 426,221 food parcels to 21,638 Palestine refugee households, but was forced to suspend cash assistance owing to budgetary constraints. It also distributed 101,970 food parcels and $1.1 million in supplementary cash assistance to 11,358 Palestine refugee households through its social safety net and special hardship cases programmes in the West Bank. The World Food Programme (WFP) continued to support the Palestinian Authority's social safety net programme. In 2014, it reached 214,230 people in the State of Palestine through the programme with general food distribution and food vouchers.

Culture

53. UNESCO continued its cultural conservation activities across the West Bank and Gaza. It provided financial and technical assistance for the Riwaya Museum in Bethlehem and continued excavations, research, public awareness and the construction of the visitor's centre at the Tell Balata Archaeological Park in Nablus. In Gaza, emergency conservation activities at the archaeological site of Saint Hilarion Monastery/Tell Umm Amer continued through a partnership with the French Biblical and Archaeological School of Jerusalem and the Islamic University of Gaza.

54. UNESCO also continued its project to build local capacity in cultural heritage preservation in the West Bank and the Gaza Strip. The project enhanced conservation skills and knowledge with an emphasis on young architects and workers, promoted cultural tourism, raised public awareness of the values of the cultural heritage, introduced the socioeconomic aspect of cultural heritage preservation by creating job opportunities and provided facilities for public use. Through the project, six buildings and spaces were renovated.

Food security and agriculture

55. Through the agriculture sector revitalization activities of FAO, 350 farmers received intensive training on integrated pest management, global good agricultural practices certification, integrated crop management and integrated plant protection.

56. UNDP finalized the development of an additional 2,400 dunums[6] for poor farmers in areas of the West Bank, including East Jerusalem, that are in direct proximity to Israeli settlements or in the seam zones, bringing the total reclaimed land to approximately 12,000 dunums in 2013. it also supported land development

[6] A dunum is equivalent to 1,000 square meters or 0.1 hectares (i.e., 10 dunums equals 1 hectare).

activities to ensure the sustainable use of land, primarily for olives, stone fruits and other seasonal field crops.

Human rights, women, children and youth

57. Five United Nations agencies launched a joint programme to strengthen respect for the human rights of persons with disabilities through legislation, in compliance with the Palestinian Disability Law and the Convention on the Rights of Persons with Disabilities, and to mainstream considerations for persons with disabilities in schools and employment services. This will be achieved through a close partnership between Government ministries, United Nations agencies, organizations for persons with disabilities and other key stakeholders.

58. United Nations agencies continued to support the special needs of women, including by addressing gender-based violence. UN-Women established 49 women's centres for survivors of gender-based violence and eight community-based women's centres that also served as shelters. More than 300 women benefited from psychosocial, social and legal counselling services at the first multipurpose anti-violence centre in Gaza and a monthly average of 20 women benefited from protection, sheltering and legal and psychosocial counselling at the Mehwar Centre for the Protection and Empowerment of Women and Families in the West Bank. UNRWA reached nearly 10,000 Palestine refugees in community-awareness and prevention activities relating to gender-based violence, children's and human rights, domestic violence, neglect and sexual abuse.

59. United Nations agencies continued to improve the quality and provision of legal services for women. UN-Women trained 20 lawyers in integrating gender perspectives into their litigation and 18 women inmates in Palestinian detention centres benefited from legal counsel and representation as well as rehabilitation activities. UNDP provided legal awareness sessions to over 1,890 people (1200 in Gaza and 693 in the West Bank) and legal aid, including advice and representation, in over 1,000 cases (350 in Gaza and 741 in the West Bank), mostly focusing on providing assistance to women. During the three years of this programme, more than 45,000 women were provided with legal aid services.

60. UNESCO provided training to female journalists in Gaza and the West Bank, in recognition of their unique role as defenders of human rights and providers of information. Training focused on personal safety, risk assessment, conflict management and freedom of expression.

61. In partnership with the Higher Council of Palestinian Youth and Sport and NGO partners, United Nations agencies reached 10,000 adolescents (50 per cent of them girls), who participated in and benefited from community youth-led initiatives aimed at fostering their civic participation and strengthening their life and employability skills, thereby reducing their marginalization. Furthermore, UNFPA and its national partners launched the Youth Peer Education Network (Y-PEER) as part of the global Y-PEER.

62. UNICEF continued to lead the inter-agency working group for the monitoring and reporting of grave violations against children in Israel and the occupied Palestinian territory in accordance with Security Council resolutions 1612 (2005) and 1882 (2009). The working group's database enabled partners to document incidents of grave violations affecting children and to produce detailed analysis of

the type of military or armed group activity or settler violence affecting the functioning of schools. School teachers and principals in 186 schools in vulnerable areas affected by conflict were trained in documenting education-related violations, resulting in improved reporting accuracy.

Environment, housing and urban development

63. FAO supported efforts to develop natural resources through the rehabilitation of 1,000 dunums of grazing land and the distribution of over 350 ton of drought-tolerant seeds and shrubs.

64. UNDP provided support for adequate housing to nearly 80 low-income families through rehabilitation and renovation interventions in Jerusalem. In addition, it provided support to improve the economic infrastructure by enhancing the physical situation of seven shops and businesses in the Old City of Jerusalem, including three bakeries, one olive press, one hostel and two shops.

65. In Gaza, the United Nations Mine Action Service substantially reduced the threat posed by explosive hazards through improved protection works. As a result, all unexploded ordnance was moved from urban areas to the pre-demolition store established outside Gaza City and 8.5 tons of explosive hazards from both sides to the conflict were destroyed.

B. United Nations system emergency assistance

66. The 2014 strategic response plan for the occupied Palestinian territory is seeking $390 million, similar to the level of funding requested by the 2013 Consolidated Appeal Process for the occupied Palestinian territory. The 2013 Consolidated Appeal Process has received 66 per cent ($265 million) of the requested $401 million in funds. While humanitarian needs have increased, the level of funding requested by the 2014 strategic response plan represents a more targeted approach to address the most urgent needs and improve the distinction between humanitarian and development assistance. As with previous years, the 2014 strategic response plan maintains a focus on tackling entrenched levels of food insecurity, serious protection and human rights issues and the limited access of vulnerable Palestinian communities to essential services, particularly in Gaza, East Jerusalem, Area C of the West Bank and the seam zone.

67. In addition, the UNRWA Emergency Appeal for 2014 is requesting $300 million to meet the needs of some 2 million Palestine refugees in Gaza and the West Bank. Most of the funding requested and received in 2013 was for emergency programmes in Gaza; of the $245 million requested, $115 million was received. In the West Bank, of the $55 million requested, nearly $29 million was received and allocated to emergency programmes.

68. The energy situation in the Gaza Strip remains extremely fragile. During the reporting period, the United Nations, with contributions from Turkey and the Islamic Development Bank, put in place a safety net to replenish the on-site reserves of a number of critical energy facilities. Nevertheless, the current situation highlights the need to find a structural solution to Gaza's energy problems.

Emergency food support

69. In Gaza, UNRWA delivered an additional 530,000 emergency food aid parcels to nearly 140,000 Palestine refugee families, benefiting 748,040 individuals living in abject or absolute poverty. UNRWA and WFP continued their joint assistance programme for marginalized Bedouins and herders, both refugee and non-refugee, in the West Bank, reaching 30,507 individuals with food distributions. In response to Winter Storm Alexa in December 2013, WFP distributed ready-to-eat food to about 10,000 people residing in shelters in Gaza and distributed food to 1,000 individuals and food vouchers to 250 individuals in the West Bank.

Emergency income generation

70. During the reporting period, the UNRWA job creation programme provided 40,285 refugees with job opportunities in 19 Palestine refugee camps and over 350 cities and villages throughout the West Bank, injecting $16,726,647 into food-insecure/food-vulnerable households and reaching a total of 115,733 beneficiaries (hired workers and their families).

Emergency health support

71. The UNRWA emergency health programme in the West Bank supported 25 primary health-care centres located in protection incident-prone locations, serving an estimated 270,000 Palestine refugees. In 2013 a total of 218,087 patient consultations were provided, of which 56 per cent benefited women. UNRWA, through individual and group counselling, family support and psychosocial activities for communities facing protection threats, provided psychosocial services to 49 Bedouin communities in the West Bank, serving an estimated population of 10,500 Palestine refugees. This included communities located in military zones, communities living in close proximity to settlements and communities threatened with demolition orders or facing severe access and movement restrictions.

72. WHO continued its support aimed at reducing shortages in life-saving drugs and medical disposables. Furthermore, it assisted in filling a number of gaps in the supply of pharmaceuticals and continued to help to coordinate the import of medical supplies donated to the Gaza Strip. It also provided urgently needed technical assistance, medical equipment and spare parts to maintain, repair and improve existing equipment, including generators and medical equipment damaged, as a result of the unstable power supply and frequent blackouts due to fuel shortages. UNICEF, meanwhile, provided life-saving paediatric drugs and consumables to cover needs in Gaza for three to six months as acute shortages worsened as a result of the limited opening hours of the Rafah crossing.

Emergency water and sanitation support

73. UNRWA supported water, sanitation and health service providers operating inside and outside the Palestine refugee camps in Gaza in procuring fuel and other supplies needed for critical operations and managed solid waste collection in all eight Palestine refugee camps. In the West Bank, it supported sewage and storm water networks and rehabilitated a water treatment plant in Aqbat Jaber refugee camp.

Emergency agriculture support

74. FAO supported the land rehabilitation of 160 dunums of open-field vegetable production for 80 farming households, the provision of tools and gardens to over 120 male-headed and 550 female-headed farming, herding and peri-urban poor households and the provision of small-scale animal units or fish ponds to over 500 male-headed and 400 female-headed households in the West Bank and Gaza Strip. It also rehabilitated water cisterns/wells for 750 families (7,800 individuals) to safeguard assets and expand livelihoods.

75. FAO also provided a quick response to Winter Storm Alexa by rehabilitating animal sheds, benefiting 1,200 livestock herders in Gaza and the West Bank. In addition, 740 small-scale farmers benefited from greenhouse rehabilitation. The emergency response was carried out in close coordination with the Ministry of Agriculture with regard to needs assessment, field verification, provision of materials and installation phases. The selection of materials and installation followed the "Build Back Better" approach, which ensured that the rehabilitated structures were technically sound and had a high level of resistance to future shocks.

Emergency education support

76. With the support of the Ministry of Education and Higher Education, UNICEF scaled up the psychosocial programmes implemented in family centres and adolescent-friendly spaces in Gaza through five psychosocial emergency teams, benefiting approximately 150,000 children, half of them girls, with professional psychosocial support services that helped to increase their resilience and coping mechanisms. These services included group counselling, individual counselling, emergency home visits, life skills, educational support and recreational activities. In addition, a total of 17,986 caregivers (35 per cent of them men) were reached through awareness-raising activities designed to improve parents' knowledge and skills regarding how to protect their children and provide better support to them, especially in times of crisis.

Emergency housing support

77. During the reporting period, UNRWA provided emergency assistance, including cash assistance, to 108 families (603 individuals) affected by Winter Storm Alexa and 208 families (1,219 individuals) affected by incursions by the Israeli security forces and home demolitions in the West Bank. In Gaza, UNRWA provided emergency assistance, including cash assistance, to 1,103 families affected by Winter Storm Alexa and 528 families impacted by the destruction or damage of their homes as a result of Israeli military action in November 2012.

C. United Nations system support to Palestinian institutions

78. The United Nations provided technical support to line ministries for the development of sectoral strategies that informed the Palestinian National Development Plan 2014-2016. The Plan reflects the thematic priority areas and geographical focus areas included in the United Nations Development Assistance Framework for the State of Palestine 2014-2016, indicating strong alignment between the approach of the United Nations to development programming and the development objectives of the Government of the State of Palestine. In addition, the

Plan reflects the United Nations programming principles of results-based management, gender equality and human rights.

79. The United Nations continued to provide technical assistance to strengthen the capacity of the Government of the State of Palestine in the area of mainstreaming human rights. The Office of the United Nations High Commissioner for Human Rights (OHCHR) worked closely with the Government in the preparation of a guidance document that provides concrete human rights-based goals, targets and interventions for incorporation in the Palestinian National Development Plan. This guidance document was adopted by the Government in January 2014. OHCHR published a study recommending which Palestinian laws should be revised to ensure compliance with the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights and held workshops for Government officials on reporting procedures under these instruments.

80. UN-Women continued to support the Ministry of Social Affairs and the Ministry of Women's Affairs in upholding international human rights standards on protecting women against violence and supported the establishment of an observatory on women's access to justice under the Independent Commission for Human Rights. Fifty-four cases involving violence against women have been monitored thus far. UN-Women continued to provide technical support to the Ministry of the Interior in line with the National Strategy to Combat Violence against Women. Ten Family Protection Units have been established in addition to the Family Protection Unit headquarters. Specific standard operating procedures have been developed for the Units and Unit staff were trained to ensure the quality and standardization of support.

81. ILO finalized an actuarial assessment that provides different scenarios for a new social security scheme. The assessment presented proposed provisions and contribution rates for a social security scheme that includes long-term benefits (old age, disability and survivors' pension), maternity benefits and employment injury benefits for private sector workers. It also supported the relevant national committee in the drafting of the legal framework of the proposed scheme to ensure it is in line with ILO standards and best practices worldwide.

82. UNOPS continued its programme of enhancing the operational capacity of the Palestinian Civil Police, the national security forces, the Presidential Guard and other security services, including the Civil Defence in their disaster risk response responsibilities. This was achieved through the provision of training programmes and equipment, information management systems development and infrastructure development. It also supported the Ministry of the Interior in a comprehensive institutional assessment in preparation for its multi-year institutional reform programme. In addition, it supported the Ministry of Justice in the construction of a major court facility in Tulkarem in the West Bank.

83. WHO supported the Ministry of Health in implementing its package of essential non-communicable disease interventions for primary health care, which was successfully introduced in three pilot districts. In addition, it continued to support the establishment of a National Institute of Public Health. It also supported the development of a cause of death registry and cancer registry, developed a draft report on the systematic review of water quality and health in the Gaza Strip,

finalized the National Health Information System strategy and assessment report and initiated the development of a national road traffic accidents registry.

84. The United Nations Conference on Trade and Development, building upon their previous collaboration, continued to strengthen the institutional and functional capacities of the Palestinian Shippers' (exporters and importers) Council. Its support led to the establishment of an eight-module professional training programme dedicated to international trade facilitation and logistics. It also provided the Palestinian private and public sectors with advisory services and technical knowledge in the area of trade facilitation.

D. Private sector development

85. UNRWA financed 13,030 loans valued at $18.403 million to Palestinian businesses and households in 2013. Women and youth received 37 per cent and 34 per cent of these loans, respectively. The programme in the State of Palestine continued to run on an operationally self-sufficient and sustainable basis and earned a net income of $367,865 from its microfinance operations.

E. Coordination of United Nations assistance

86. Under the auspices of the Deputy Special Coordinator for the Middle East Peace Process/United Nations Resident Coordinator and Humanitarian Coordinator for the occupied Palestinian territory, collaboration and coordination among the numerous donor and United Nations forums was strengthened during the reporting period. The humanitarian country team in Jerusalem and the Operational Coordination Group in Gaza met regularly to agree on humanitarian advocacy and response measures. With the support of the Coordination Unit within UNSCO, the United Nations country team continued to coordinate its programming through the development of the United Nations Development Assistance Framework for the State of Palestine 2014-2016 in alignment with the priorities of the Palestinian National Development Plan 2014-2016. Efforts to forge constructive partnerships among the United Nations, the Government of the State of Palestine and the broader aid community were strengthened. The United Nations continued the preparation of Ad Hoc Liaison Committee reports, strategies and guidance for development and humanitarian work in Gaza, East Jerusalem and Area C and, together with other humanitarian actors, the development of the 2014 strategic response plan for the occupied Palestinian territory.

IV. Donor response to the crisis

Budgetary and fiscal support

87. In 2013, the Government of the State of Palestine struggled to meet its financial obligations, since expenditures were slightly higher than expected and revenue was less than projected. Although external financing was higher than expected, the Government of the State of Palestine accumulated considerable arrears during the year, particularly to the private sector and the pension system, and increased its stock of debt to domestic banks to $1.2 billion by February 2014. The

external financing requirement for 2014 is estimated at $1.6 billion ($1.3 billion in budgetary support and $0.3 billion in development financing).

Donor coordination

88. The local aid coordination structure continued to serve as a key forum for donors and the State of Palestine. The coordination of humanitarian assistance and advocacy continued to be led by the Office for the Coordination of Humanitarian Affairs of the Secretariat during the reporting period.

89. One meeting of the Ad Hoc Liaison Committee was held during the reporting period, in New York on 25 September 2013.

V. Unmet needs

90. The 2013 Consolidated Appeal Process for the occupied Palestinian territory requested a revised amount of $401.6 million to tackle the most urgent humanitarian needs, of which 65.9 per cent was funded. Despite the increasing needs, the 2014 strategic response plan for the occupied Palestinian territory is requesting $390 million, since the application of the Plan's criteria means that only the most urgent needs have been highlighted and that the distinction between humanitarian and development needs outlined in the United Nations Development Assistance Framework for the State of Palestine 2014-2016 has been improved. As at 7 April 2014, only 17 per cent had been raised, indicating a bleak funding forecast.

91. Additional support is also urgently needed for the UNRWA core budget, which faces a predicted shortfall of $68.2 million for 2014, as well as its 2013 Emergency Appeal for the occupied Palestinian territory for $300 million, which has an estimated $163.2 million shortfall.

92. United Nations agencies are seeking $1.2 billion to support development programming in the context of the United Nations Development Assistance Framework.

VI. Challenges

93. During the reporting period, the continued closure of the Gaza Strip, the closing of illegal tunnels and a marked reduction in the operation of the Rafah crossing by the Egyptian authorities resulted in a more acute energy crisis and the reverse development or de-development of Gaza, thereby increasing humanitarian needs. Following the discovery of an illegal tunnel into Israel in October 2013, the Government of Israel halted the import of key construction materials into the Gaza Strip, including for United Nations projects. Although the United Nations has since seen a partial resumption of import for projects that had previously been approved, the private sector remains unable to import aggregate iron bar and cement. In addition, at the time of writing, over $100 million worth of United Nations construction projects submitted to the Government of Israel were still awaiting approval. In the West Bank, restrictions on movement and access, demolitions of Palestinian infrastructure and the associated displacement of Palestinians in the West Bank, including East Jerusalem, have all increased. Furthermore, significant settlement activity continues to take place in the West Bank, including East

Jerusalem, heightening tension on the ground. Overall, the fact that a credible political horizon has not moved tangibly closer, despite resumed negotiations, continues to negatively affect the operating environment.

94. Should talks once again break down, there is a risk that pressure on the State-building effort and international support to it would grow, while the focus could shift to humanitarian operations. If a credible political horizon does not move tangibly closer, this would also negatively affect the operating environment. In Gaza, as long as fundamental political issues are not resolved, United Nations activities risk being reduced to little more than stopgap measures, with the much needed structural interventions outlined in the 2012 report of the United Nations country team in the occupied Palestinian territory entitled "Gaza in 2020: A liveable place?" remaining unfeasible until a more conducive operating environment is restored.

VII. Conclusions

95. The operational context for the work of the United Nations during the reporting period remained challenging, while threats to the livelihoods of Palestinians, particularly demolitions, and the continued restrictions and divisions of Gaza continued to pose formidable obstacles to development in the State of Palestine. The United Nations will continue working towards the realization of a just, lasting and comprehensive peace in the Middle East on the basis of Security Council resolutions 242 (1967), 338 (1973), 1397 (2002), 1515 (2003), 1850 (2008) and 1860 (2009), an end to the occupation that began in 1967 and the establishment of a sovereign, democratic, viable and contiguous State of Palestine, existing side by side in peace with a secure Israel.